

Seairm

Report for the Fiscal Year Ended January 31,
1996

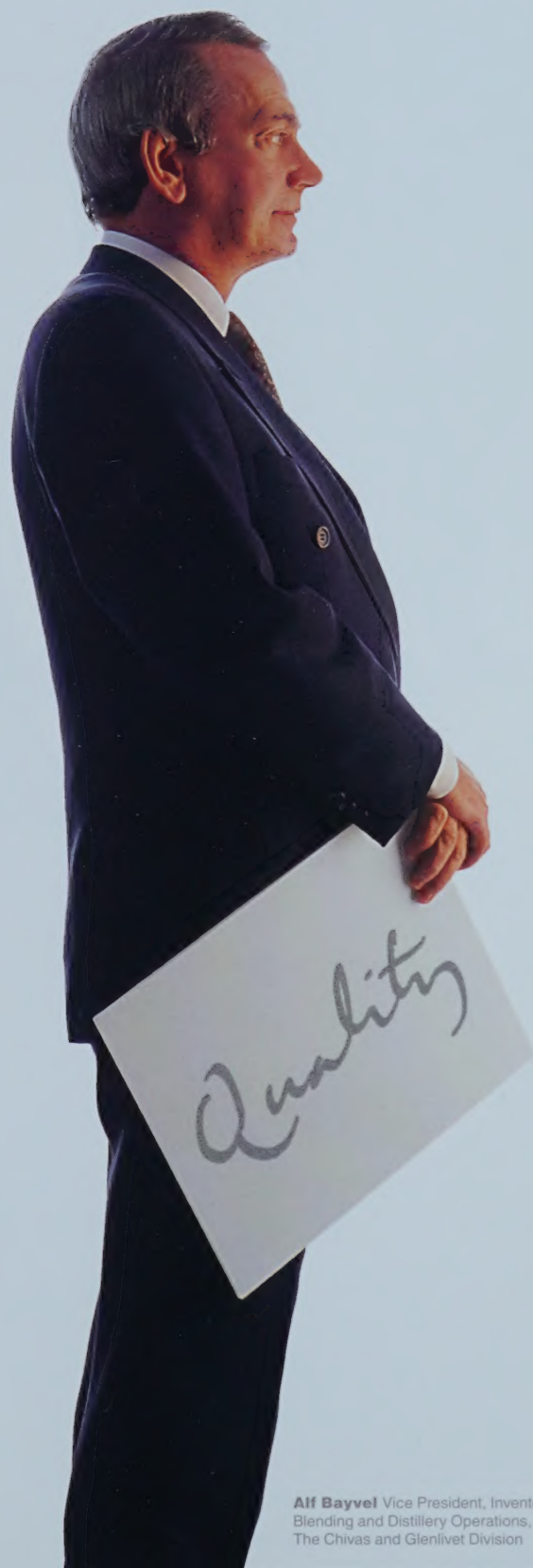
Income Highlights

U.S. dollars in millions, except per share amounts	Fiscal Years Ended January 31,		
	1996	1995	1994
Revenues	\$9,747	\$6,399	\$6,038
EBITDA*			
Beverages			
Spirits and Wine	\$ 763	\$ 809	\$ 770
Fruit Juices, Coolers and Mixers	196	159	172
Reengineering charge	(290)	—	—
Total Beverages	669	968	942
Entertainment			
Filmed Entertainment	240		
Music Entertainment	59		
Recreation	85		
Publishing and Other	36		
Total Entertainment	420		
Total EBITDA	\$1,089	\$ 968	\$ 942
Operating Income	\$ 584	\$ 725	\$ 754
Income Before Discontinued DuPont Activities and Cumulative Effect of Accounting Change	\$ 174	\$ 194	\$ 283
Discontinued DuPont activities, after tax	3,232	617	96
Cumulative effect of accounting change, after tax	—	(75)	—
Net Income	\$3,406	\$ 736	\$ 379
Earnings Per Share			
Net income before discontinued DuPont activities and cumulative effect of accounting change	\$.46	\$.52	\$.76
Discontinued DuPont activities, after tax	8.67	1.66	.26
Cumulative effect of accounting change, after tax	—	(.20)	—
Net Income	\$ 9.13	\$ 1.98	\$ 1.02

Note: The fiscal year ended January 31, 1996 includes the results of MCA and the juice beverage business acquired from Dole for seven months and eight months, respectively.

*Represents attributed earnings before interest, taxes, depreciation and amortization (EBITDA) which includes the proportionate share of the EBITDA of the Company's equity companies.

Our
priority,
in all
things,
has been
and
always
will be
quality.

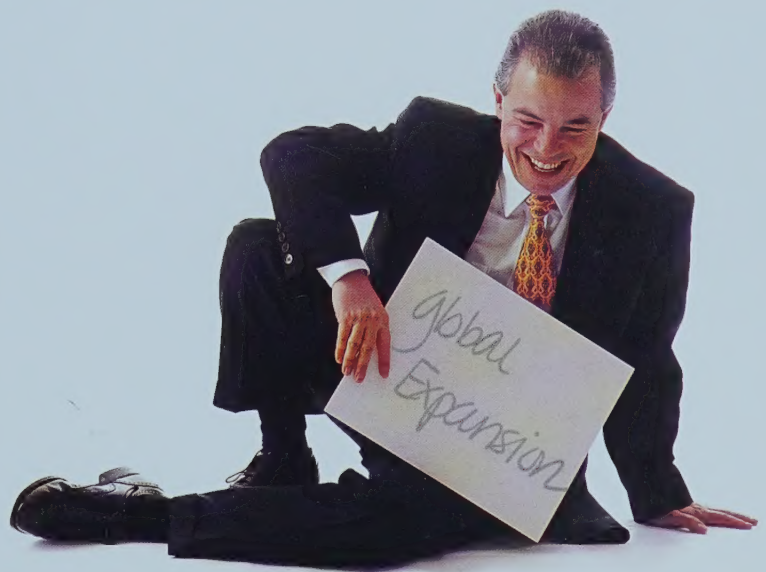


Alf Bayvel Vice President, Inventory,
Blending and Distillery Operations,
The Chivas and Glenlivet Division



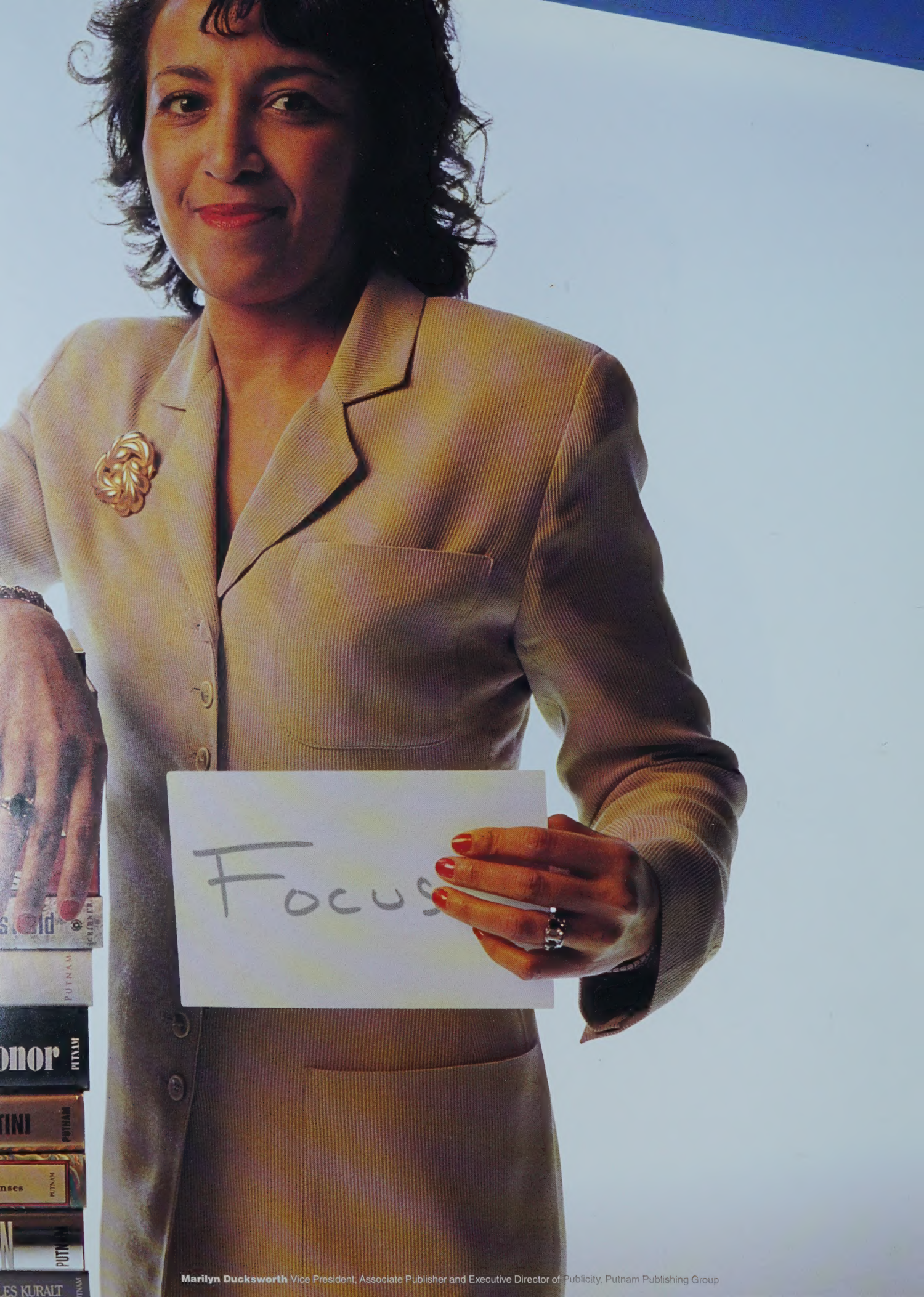
Customer

CONSUMER



Customer and consumer needs must be met better by us than our competitors.

Our single biggest opportunity is global expansion.



Marilyn Ducksworth Vice President, Associate Publisher and Executive Director of Publicity, Putnam Publishing Group

Focus on managing more
effectively is critical to success
and growing shareholder value.

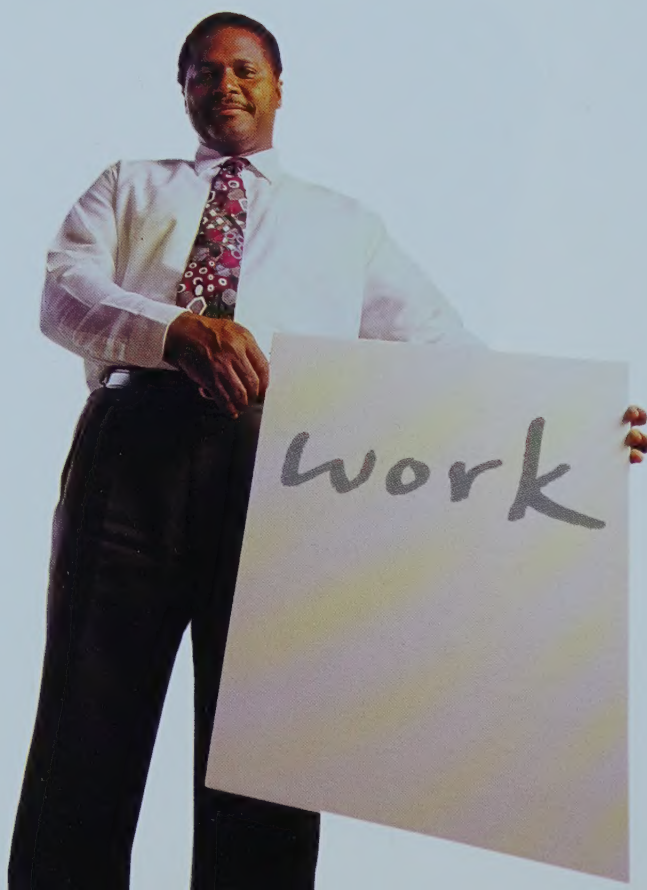
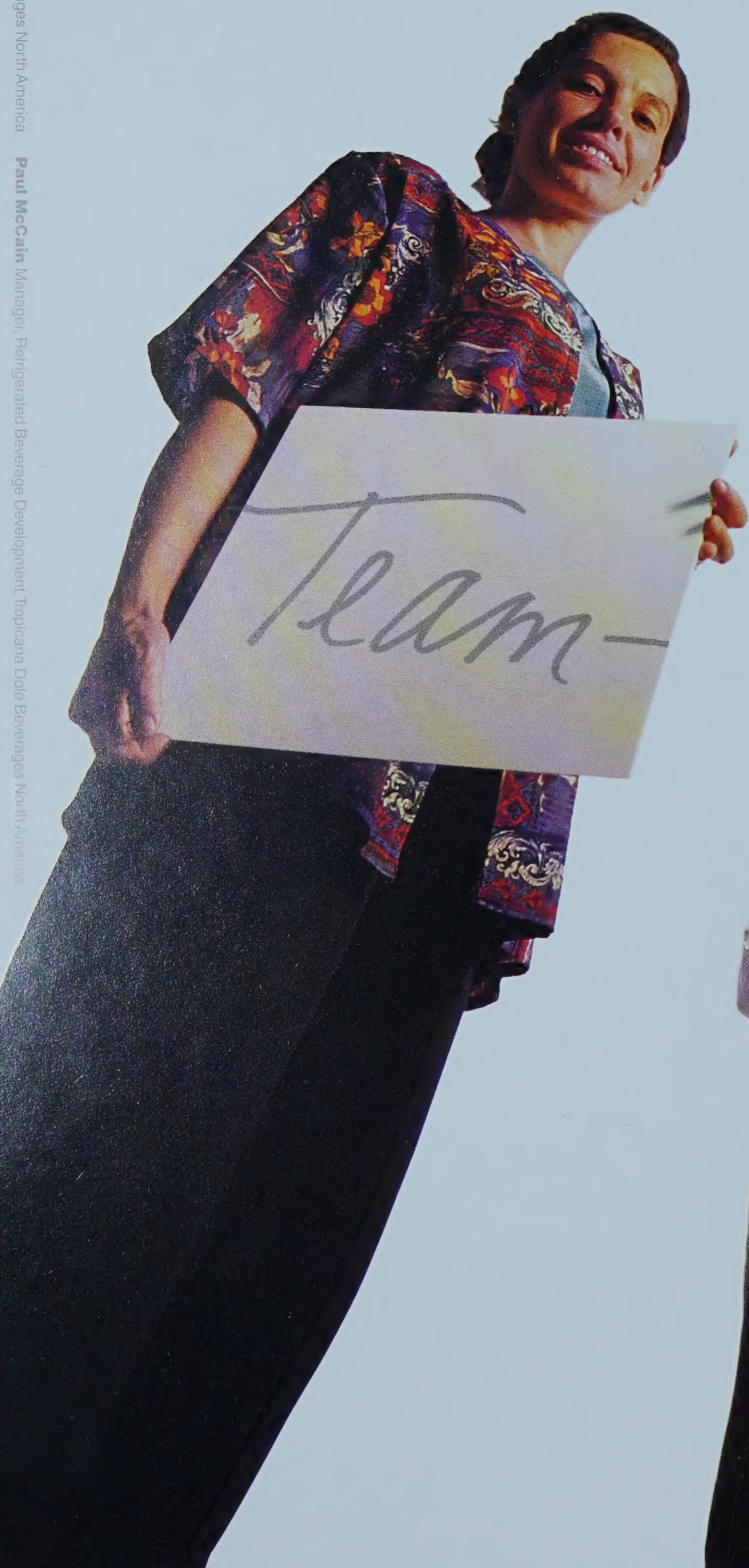
Innovation and creativity are
THE business builders.



INNOVATION

Teamwork is essential for maximizing opportunities and creating an environment for growth.

Reengineering will strengthen our businesses for the long term.



A man in a dark suit and tie is holding a large white sign that says "REENGINEERING" in black, hand-painted capital letters. He is looking directly at the camera with a serious expression. The background is a plain, light-colored wall.



Talent

LEVERAGE

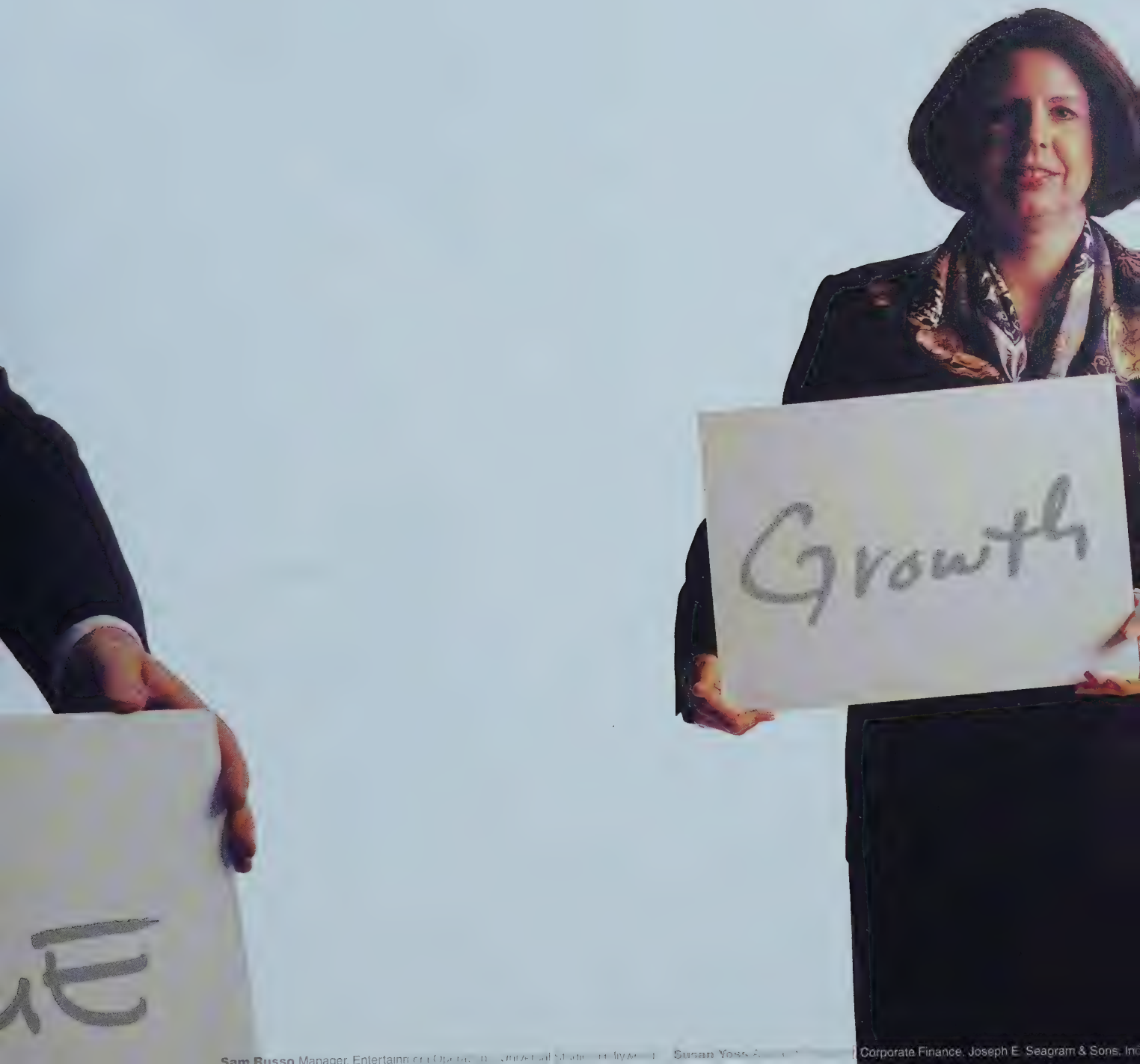
Tim Allen is a registered actor in the United States. Television.



Talent
and skills
development
give us a
competitive
edge.

Leverage
of our
brands
and assets
will play a
significant
role in our
future.

Growth
is our
overriding
objective.



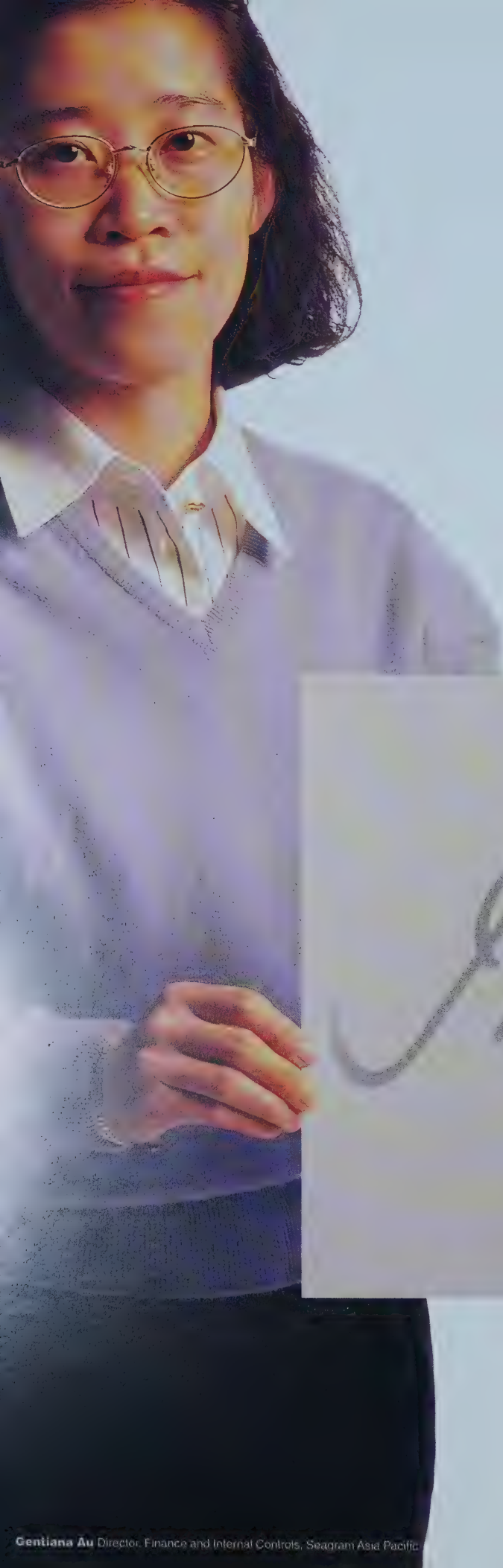


Global

Strategic



Global strategic alliances
will be important factors in
the development and
growth of our businesses.



Integrity

Integrity and respect in all things, have and always will guide our actions.

Directors' Report to Shareholders

In 1995, we transformed Seagram. With forethought and determination, we executed two major transactions that transformed our company.

These were the transactions: E.I. du Pont de Nemours and Company redeemed most of our shareholdings in that company. The proceeds to Seagram were \$7.7 billion in cash, after tax, plus equity warrants, leading to a \$3.2 billion gain. We then purchased 80 percent of the parent of MCA INC. from Matsushita Electric Industrial Co., Ltd. for \$5.7 billion in cash. In both transactions, we believe we achieved excellent value for our shareholders.

DuPont has been a fine investment for Seagram over the years, but we believed it was far better to unlock the significant value of our holding and to reinvest it where we anticipate that we will achieve higher returns over time. The redemption transaction allowed us to do so, while the residual shares and warrants we hold after the transaction allow us to participate in DuPont's upside potential.

We had determined that the entertainment industry could provide superior returns for our shareholders. We found that this industry is particularly appealing because it is large, rapidly growing, brand-oriented, increasingly global, and attractively profitable. It is also a concentrated industry, and MCA is one of the very few companies with important, established brands and assets in filmed entertainment, recorded music and site-based entertainment. When MCA became available, we were able to execute an extremely complex transaction with Matsushita very quickly and at a fair price. We are very pleased that Matsushita remains our partner with a minority interest in MCA's parent.

Our primary responsibility is to build value for shareholders, and to do that, we are changing every aspect of the way we manage our businesses. That means stepping up the pace of our global expansion; increasing our focus on the needs of customers and consumers; more aggressively developing our brands, our products, our people and our expertise to create new businesses and improve old ones; and constantly rethinking, reengineering and reinvesting throughout our operations. These changes are happening throughout Seagram today.

As a result of events in 1995, Seagram now has a significant presence in six businesses in two industry segments. Our two business units in the beverages segment are spirits and wine, grouped as one business, and fruit juices, coolers and mixers as the other. Our four units in the entertainment industry include filmed entertainment, music, recreation and

publishing and other businesses. These six are in many ways quite different businesses, but they have these things in common: They are consumer driven. They are dominated by strong brand franchises. Their success depends on talented and creative people. And their future growth will come largely from the potential of global markets.

These traits play to our strengths: Seagram understands consumers – tastes, trends and the subtly different ways of marketing across many different geographies. Seagram understands customers – the distributors and retailers who buy from us, sell to those consumers – and, increasingly, we are coming to understand how to be entirely responsive to their needs. We believe these businesses, with our support, will each contribute to above-average growth in shareholder value at Seagram.

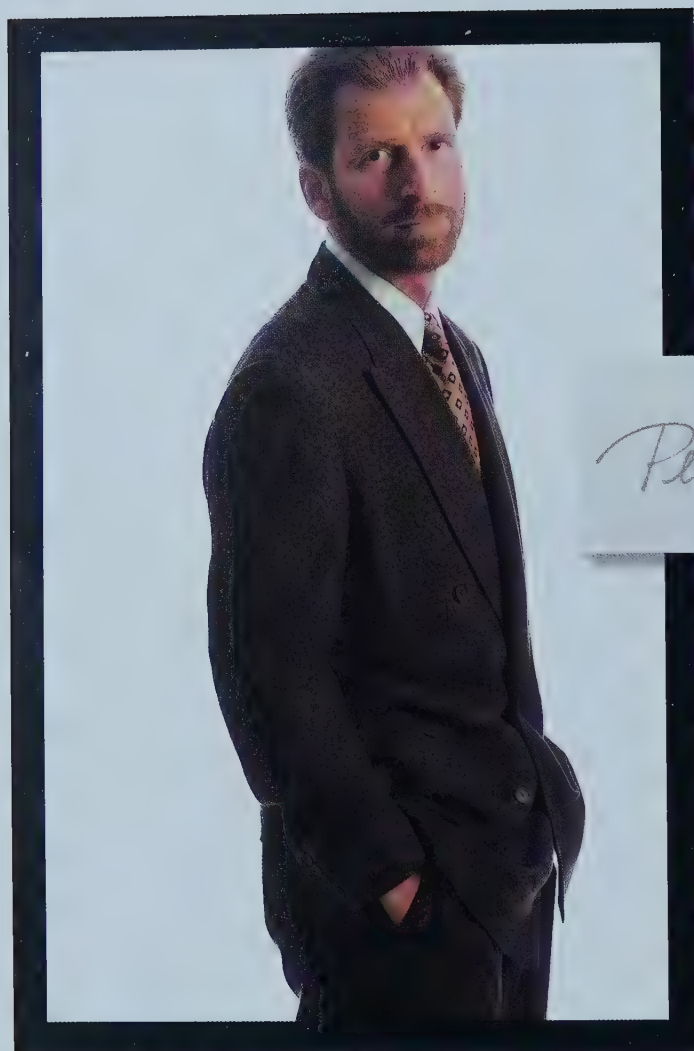
Geography is important to us. North America has a rich, highly developed economy. It is a vital market for Seagram. But our greatest growth prospects lie with the 5.3 billion people who dwell on other continents. They live in many different economic circumstances. France and Japan are mature markets like the United States. Emerging markets, such as India, South Africa, are growing rapidly; China, the largest market of them all, is only now on the threshold of its economic future.

What unites these and a hundred other countries is their inexhaustible thirst for Western culture. Some 700 million people are now enrolled in formal programs teaching English as a second language. No matter where they are, they and their neighbors eat fast food, enjoy beverages, wear blue jeans, listen to rock music, go to the movies and watch television. Their thirst for Western culture expresses itself especially in the consumption of premium brands. Brands are these consumers' guide through the clutter of competing products; premium brands signify intrinsic value.

In the long term, we can only build shareholder value through profitable growth. We plan our growth within the world environment of Western culture and strong brand awareness. Our spirits and wine business and our motion pictures business are global in scope today. Our international presence is expanding rapidly in fruit juices and juice beverages and in recorded music. And we announced recently our first overseas theme park venture, Universal Studios Japan.

The proportion of our sales and profits from outside North America is expected to increase steadily for the foreseeable future.

Investors and employees who knew Seagram a year ago are already familiar with the outlines of our approach to building



Performance

Edgar Bronfman, Jr.
President and
Chief Executive Officer

our businesses. We said a year ago: Seagram is turning its face outward – toward the customer and the consumer. This is happening. Within our company, we are developing new ways of working with each other, based on openness and teamwork. We are developing ways to serve our customers faster, more efficiently, more flexibly, and better than our competitors. We are becoming vigilantly cost-conscious. We understand that every expenditure is an investment that must strengthen our business in order to generate profitable growth.

Much of the work of rethinking and redesigning carries the name reengineering – a term often and erroneously thought to be synonymous solely with cost reduction. In the shorter term, the improvements we derive from more effectively managing the businesses against goals and objectives are critical, but the effect of these efforts on revenue growth will be a good deal more important in the long term.

Within Seagram, our goal is to continue transforming the workplace environment and the way we interact with each other. We are committed to the values of consumer and customer focus; respect; integrity; teamwork; innovation; and quality. These values are imperative to our future growth and success.

The changes we have been initiating are as applicable to MCA as they are to our beverage businesses: understanding and responding to customers, controlling costs and creating a high-performance internal culture. But at MCA, two other imperatives took precedence in 1995. We needed to rebuild the management team; that is now largely accomplished. And we needed to renew MCA's appeal to the creative and managerial talents who are responsible for inventing, making and marketing its entertainment products. That is now well under way.

We have quite intentionally designed this process of change for the long term. Quick fixes, in our view, lead to little more than the need for more quick fixes. We are trying to do the

brands is second to none, and we now sell our products in more than 150 countries and territories.

Our strategic intent is to continue to seize opportunities for expansion in new countries; to market quality brands effectively to our consumers; to become, or remain, our customers' preferred supplier; and to carefully add to our product lineup through acquisition, alliance and new product development.

The Seagram Beverage Group includes fruit juices and juice beverages, one of the fastest-growing categories in the food and beverage industry, as well as mixers and coolers. Our acquisition in 1995 of Dole Food Company, Inc.'s juice businesses, excluding canned pineapple juice, created Tropicana Dole Beverages, now the world's number one juice company. Because our global market share is small in this rapidly growing but fragmented category, our potential is enormous. Our focus has been on North America and more recently on Europe. In the future, we will continue to capitalize on growth opportunities in Europe and to seize the powerful possibilities offered in Asia, where we have already established a presence. In the highly competitive U.S. orange juice market, Tropicana Pure Premium continues to hold the leading share of not-from-concentrate juice.

Our intent is to build our business by effectively marketing the highest quality, superior-tasting premium brands that respond to consumers' increasing interest in high-quality juice products; to expand our presence and share in current markets and in new channels and geographies; to achieve preferred supplier status with a growing number of customers; and to realize greater efficiencies as we build our worldwide operating network.

We are pleased with Tropicana Dole Beverages' progress this year. The Dole juice business acquisition was a major addition for several reasons – a strong fruit brand equity, product diversity, geography, and expanded manufacturing and distribution capability among them. At the same time, we grew market share and

Seagram has changed enormously, and for the better, in the last year. We have placed ourselves in attractive businesses and begun the process of realizing their full value.

right things regardless of whether the payoffs come in two months or three years; in practice, we find there are more than a few of each. But the growth we require will not, and cannot, occur overnight. We look to 1996 as a period of consolidation, redirection and recommitment. We will judge our performance in part by the near-term financial results we deliver, but we will judge in larger measure by the number and magnitude of the building blocks of growth that we have put in place.

Within the beverage segment, The Seagram Spirits And Wine Group is our foundation business. It is profitable and a relatively predictable cash generator. There is significant potential in the two most rapidly expanding sectors of the industry – premium brands and emerging markets. Our portfolio of

improved profitability as a result of a tighter strategic focus, a strengthened management team, a better understanding of consumers and customers, and the initial benefits of reengineering.

In 1996, we will evaluate our progress at Tropicana Dole Beverages by the increase in revenues and improved profitability; by the growth of our European and Asian market share and distribution, including entry into new national markets; and by the effectiveness of continued implementation of our reengineering initiatives.

We are committed to improve our cash flow growth significantly in all of our beverage businesses. To achieve this, we are reinventing the business. In the third quarter of 1995, we took a \$290 million pretax charge against earnings, primarily to

reflect the cost of significant reengineering projects in spirits and wine. Our initial experience with reengineering showed us that the potential cost savings and operating improvements were far greater in magnitude than we had originally imagined. We took this charge in order to achieve all the possible benefits.

We incurred this cost in 1995. It will favorably impact our results in the future, and over time it will more than repay our initial charge. We will evaluate our progress in fiscal 1997 by the prudence of our capital allocation, the streamlining of our distribution, the elimination of excessive costs, the growing respon-

business capability. And it is partly a matter of flexibility and responsiveness – of culture. We are pleased with the commitments we have won in a short period of time. Among them, our alliance with DreamWorks SKG has important and positive implications not just for Universal Pictures but also for our music and recreation businesses as well.

In recorded music, our opportunity is clear. The economics of the business are appealing. We are a leader in one genre (country), with areas of strength in two others (rock and jazz). We are largely-North American in focus. Our goal is to continue to

Our primary responsibility is to build value for shareholders, and to do that, we are changing every aspect of the way we manage our businesses.

siveness of our customer service, the innovation of our consumer marketing and the growth of our revenues and profits.

Our second business segment, entertainment, is one of today's most visible and rapidly growing industries in North American and global markets. Entertainment businesses are great businesses, but with some different characteristics from our spirits and wine or fruit juice and juice beverage businesses. Entertainment is generally more capital-intensive, and earnings are somewhat more volatile from one period to the next. But well-positioned, well-managed entertainment companies can produce extremely attractive profits, appreciation of assets, and substantial returns on investment. MCA will do so for Seagram.

Our strategic intent is, first and foremost, to make MCA the place where the best creative talent wants to work; to develop and make the most of the brands and franchises that MCA's businesses have created; to expand our marketing and distribution activities globally; and, as in our other businesses, to put in place the disciplines of reengineering, as they are appropriate to MCA's businesses.

The assets that address these goals are consequential. MCA's motion picture, television, recorded music and recreation services businesses are each among the half dozen leaders in their business segments. Its publishing and retail businesses are successful niche players in the United States.

The next year will be a year of transition for MCA. We must build on the base provided by the MCA transaction – our slate of film and television productions; our roster of recording artists and authors; our established theme parks. This base has genuine promise. Our task is to maximize what we have acquired and simultaneously set in place the elements of future revenue and profit growth.

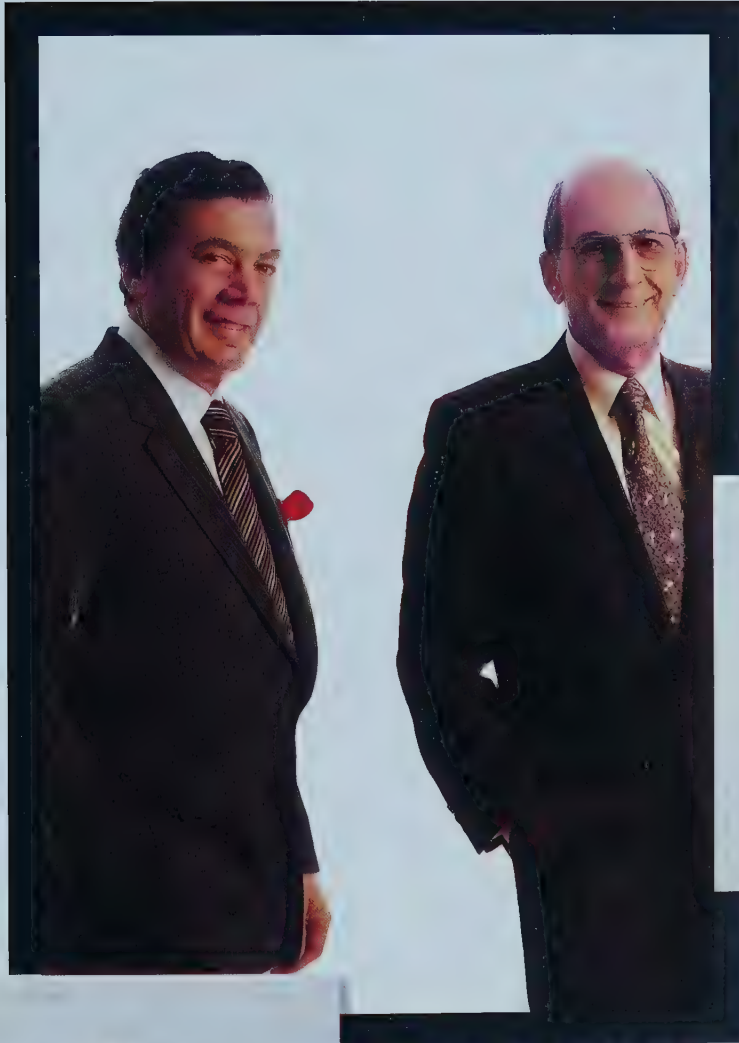
For motion pictures and television, our priority is clear: to attract the best creative and performing talent to Universal. This is partly a matter of dollars, but also a matter of relationships. It is partly a matter of marketing, distribution and

broaden our repertoire and expand internationally, particularly through talent acquisition and development and through new approaches to marketing. Our acquisition in early 1996 of a 50 percent interest in Interscope Records, one of the most creative and innovative labels in the industry, significantly bolsters MCA's presence in rock, R&B, rap and alternative music.

We have made major investments in the future of our recreation division. In partnership with The Rank Organisation, we are building Universal City Florida, a \$2 billion destination resort comprising many forms of themed entertainment, near Orlando, Florida, a city that has already become an international vacation destination. The consumer market will reward an innovative new attraction, and we think Universal City Florida will quickly become a major draw for Florida vacationers. Additionally, on February 6, 1996, MCA unveiled plans for Universal Studios Japan in Osaka, the company's first theme park venture outside the United States. Construction is expected to begin in 1998, with an anticipated park opening in 2001. More immediately, we are nearing completion of two new lead theme park attractions: *Terminator 2: 3-D* at Universal Studios Florida, and *Jurassic Park – The Ride* at Universal Studios Hollywood. The history of theme parks demonstrates that they rise or fall on these kinds of flagship attractions that draw sizable crowds.

Rethinking and redesigning the way we do business is an important factor to the future of our entertainment businesses, as it already is to our beverage businesses. There are significant opportunities for improvement and cost savings, both within MCA and between MCA and Seagram. In addition, there are unexploited opportunities for revenue-generating synergies between our entertainment businesses.

The transformation of MCA has begun, but it will not be completed this year or next. We will measure our success in the near term by the quality of the creative talent that we bring to our businesses, by the responsiveness we bring to our business



Charles R. Bronfman
Co-Chairman

Values

Edgar M. Bronfman
Chairman

People

relationships, by the improvements we bring to the ways our businesses are managed, and by the emergence of areas of significant growth and margin improvement in each of our entertainment businesses.

Our company's management team has changed significantly in the last year. Robert W. Matschullat joined the company as vice chairman and chief financial officer and was elected to the Seagram Board of Directors. John D. Borgia took charge of our human resources function as executive vice president. In addition, Martin J. Frost was named president of our spirits and wine business in Europe and Africa. He joins The Seagram Spirits And Wine Group management team headed by Steven J. Kalagher, president, that includes Fernando Kfoury, president of Seagram Americas, and S. Bredo Oestlien, president of Seagram Asia Pacific. In The Seagram Beverage Group led by Ellen R. Marram, president, Gary M. Rodkin and Abbas Bayat were appointed presidents of Tropicana Dole Beverages North America and Tropicana Dole Beverages International, respectively.

Edward F. McDonnell, who stepped down last year as President of The Seagram Spirits And Wine Group but at our request remained as a director, has decided not to stand for reelection. We thank him for his valued advice and support and wish him well in his new endeavors.

We were saddened this past year by the tragic passing of Stephen E. Banner, senior executive vice president, chief financial officer and a member of the Seagram Board of Directors. Steve was a man of extraordinary wisdom, intellect and humor, on whose counsel we all relied for many years.

Two changes in our financial reporting deserve mention here. We are changing to a fiscal year that ends on June 30. This aligns our corporate planning cycle with the seasonal cycles of our core businesses. As a result, we will report financial results for a five-month interim period that ends June 30, 1996, and will then begin a full fiscal year on July 1. Also, we are using cash flow (which we define as attributed earnings before interest, taxes, depreciation and amortization, or EBITDA) as the primary yardstick of our financial

Seagram understands consumers - tastes, trends and the subtly different ways of marketing across many different geographies.

Seagram understands customers - and increasingly, we are coming to understand how to be entirely responsive to their needs.

At MCA following our acquisition, Lew R. Wasserman became chairman emeritus, at the same time joining the Seagram Board of Directors. Ron Meyer was appointed president and chief operating officer of MCA, heading a new management team. Howard L. Weitzman, Sanford R. Climan and Bruce L. Hack became executive vice presidents. Casey Silver was appointed chairman of the MCA Motion Picture Group. R. Gregory Meidel was named chairman of the MCA Television Group, and Doug Morris became chairman of the MCA Music Entertainment Group. In our publishing business, Phyllis E. Grann continues to serve as chairman of The Putnam Berkley Group. And Ron Bension remains chairman of the Universal Recreation Group.

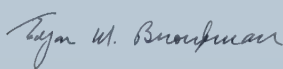
Many of these people are new to Seagram. They give us new skills and new perspectives. They are people of significant accomplishments, and we have no doubt that their level of accomplishment will benefit our businesses greatly.

performance. Because of the goodwill associated with our acquisitions, we believe EBITDA is the best measure of our operating results.

We approach the future in healthy financial condition. We note particularly the strength of our balance sheet, where our outstanding debt has been reduced by \$1.6 billion due to our operating results and the effect of the DuPont, MCA and Dole transactions. Our current net debt is \$3.6 billion and our book equity is \$9.3 billion. We have substantial capacity to invest and support our businesses.

Seagram has changed enormously, and for the better, in the last year. We have placed ourselves in attractive businesses and begun the process of realizing their full value. We look forward to tangible, building-block-on-building-block progress toward that goal. We rely, as always, on the dedication, hard work and creativity of the men and women of Seagram. They have made immeasurable contributions in a landmark year for our company. It is our privilege to be associated with them.

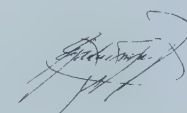
On behalf of the Board,



Edgar M. Bronfman
Chairman



Charles R. Bronfman
Co-Chairman



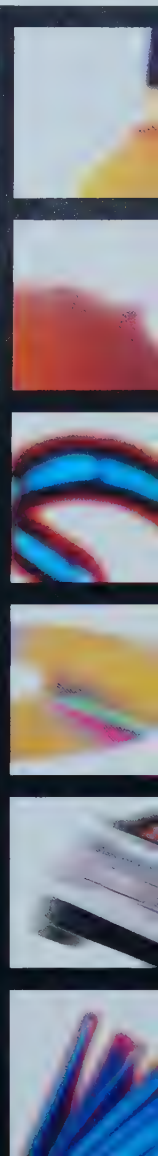
Edgar Bronfman, Jr.
President and
Chief Executive Officer

Review of Continuing Operations

Seagram's beverage businesses are leaders in producing, marketing and distributing quality, premium brands to discerning customers and consumers throughout the world.

MCA/Universal is a leader in producing, marketing and distributing the highest quality entertainment to customers and consumers worldwide.

Seagram's two industry segments – beverages and entertainment – are divided into six lines of business: Spirits and Wine; Fruit Juices, Coolers and Mixers; Filmed Entertainment; Music; Recreation; and Publishing and Other Businesses.





Millions	1996	1995
Attributed Revenues	\$5,093	\$5,061
EBITDA	763	809

*Excludes reengineering charge

Spirits and Wine

Right: Greater China is the market of greatest opportunity for spirits, and Martell Cognac is strongly positioned there and throughout Asia.

The Seagram Spirits And Wine Group is positioning itself to be the leading global marketer of premium spirits and wine brands. To achieve this goal, the group is growing market share in established Western markets, while extending its reach into emerging markets where rising standards of living and lowering trade barriers have made international brands more attractive. In addition, the company expects to continue entering into and developing strategic

alliances with other companies to complement the current brand portfolio and to expand distribution capabilities in new markets. Satisfying the needs of key retail and on-premise customers is a top priority, as is streamlining operations and reducing costs.

Global Business Seagram's spirits and wine operations produce, market and distribute spirits and wine brands in more than 150 countries and territories worldwide. The Seagram Spirits And Wine Group is organized into three geographic divisions – Americas, Europe & Africa, and Asia Pacific. Category management is responsible for business development and global strategic marketing direction for Seagram's key spirits and wine categories, including Scotch whiskies, Cognacs, North American whiskies and Champagnes.

In addition, the company has two U.S.-based, specialized premium wine operations – The Seagram Classics Wine Company and Seagram Chateau & Estate Wines Company.



The spirits and wine business operates today in two distinctly different economic environments. There is slower growth in the established markets of North America and Western Europe and more rapid growth in the emerging markets of Asia, Eastern Europe, the C.I.S. and Latin America.

Globally, 1995 was another record year for Chivas Regal Scotch Whisky, Seagram's flagship spirits brand, which was buoyed by a new global advertising campaign. Royal Salute Scotch Whisky widened its leadership position in the super premium Scotch whisky segment, while Glen Grant and Passport Scotch Whiskies continued to develop into a formidable force in the standard sector. The addition of The Heritage Selection and The Glenlivet 18-year-old further strengthened Seagram's position in the growing malt whisky category.

Increasing the emphasis on Martell Cognac's superior qualities, top-of-the-range Création de J&F Martell in a Baccarat decanter was launched in 1995. Noblige, the mid-range Cognac released in 1994, progressed well and complements Cordon Bleu, Martell's unique flagship brand.

Global Champagne sales continue to rebound, with Champagne Mumm outpacing its competition and achieving a global market share gain. Belle Epoque, the super premium

Champagne cuvée, continues to increase as a percentage of Perrier-Jouët sales.

The company's spirits and wine business is facing its most difficult challenge in Europe. The trend toward retailer concentration continues with both national and pan-European retailers and buying groups becoming more powerful. All marketers of beverage alcohol brands confronted severe pricing pressure across Europe last year. However, Seagram is investing in its key brand franchises to build image and grow distribution in European markets.

Germany, Seagram's most important European market for spirits and wine, is still suffering from the softness of its economy due to the effects of unification. Retail trade concentration has placed considerable pressure on margins in Seagram's business. This has adversely affected sales of Mumm Sekt, Seagram's premium German sparkling wine. The French market recovered well in 1995, and The Seagram Spirits And Wine Group continued to successfully build the image of Glen Grant Scotch Whisky alongside its more established brands. Four Roses Bourbon performed strongly in Italy, where the line extension Four Roses & Cola has taken the brand into new venues and attracted new consumers.

Reinventing Seagram's European spirits and wine business is a top priority, and a broad-ranging program has been initiated to ensure this. A substantial portion of the \$290 million pretax charge taken in the 1995 third quarter provides for a long-term program to make the company's European spirits and wine business more competitive, responsive and cost-efficient.

The costs of logistics and the amount of finished goods inventory are being significantly reduced, while technology is being maximized throughout the supply chain. Unnecessary and unproductive assets are being eliminated. An example of this commitment is the planned European Financial Shared Services Center. Established in London, it will provide administrative services, including accounts payable support, to all European affiliates. At the same time, consumer-focused marketing programs are receiving a more concerted thrust.

In 1995, Seagram outperformed its spirits competition in North America and registered significant volume gains for many of its brands. Crown Royal, Seagram's premium Canadian whisky, grew substantially. Sales of Captain Morgan Original Spiced Rum topped the million-case mark for the first time. And in a declining market for Scotch whisky, Chivas Regal, the world's leading premium Scotch whisky, gained market share. A star performer was

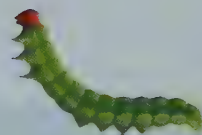
Absolut Vodka, which Seagram distributes in the United States and major international markets under agreement with The Absolut Company, V&S Vin & Sprit AB. Sales of Absolut Vodka grew significantly, especially outside its traditional strongholds on the country's east and west coasts, achieving impressive gains in the midwest.

Most of Seagram's major Latin American spirits and wine markets are adjusting to various phases of economic reform. During 1995, Seagram's emphasis was on key brand investment, streamlining processes and lowering costs. Customer-focused programs and operating efficiencies similar to those achieved in Europe have been implemented in Mexico, Venezuela and Brazil. Despite the severe economic problems in Mexico, market share of imported brands, Martell Cognac and Chivas Regal Scotch Whisky, has grown.

Americas Realignment Effective February 1, 1996, Seagram began realigning its spirits and wine businesses throughout the Americas to move decision-making closer to customers and substantially reduce costs. Seagram Americas is now comprised of a network of eight distinct regional operations, each responsible for sales and marketing and each accountable for franchise results. Business units in the smaller Latin American markets of



You either have it



or you don't

Argentina, Chile, Colombia, Costa Rica and the Dominican Republic have been realigned as sales and marketing operations and now receive functional support from their respective regions.

Asia Pacific is a dynamic region of enormous potential for premium spirits brands. Scotch whisky and Cognac are the key product categories in the region, and Seagram is strongly positioned in both with Chivas Regal, Royal Salute and the Martell Cognac range. The strategy is to build brand franchises, train a growing sales force and invest in infrastructure.

Seagram's joint venture with Doosan Construction Co., Ltd. continues to hold a leadership position in the important Scotch whisky market in South Korea, with Passport Scotch as category leader and Chivas Regal carving out an increasingly important role in the fast-evolving premium segment. In Taiwan, Royal Salute reigns as the number one super premium Scotch whisky. In Thailand, Master Blend Whisky, a blend of imported malt whisky and local spirit, has been launched to compete in the newly created local whisky category in that market.

Seagram views Greater China as the market of greatest opportunity for spirits. Underscoring this belief are 15 representative offices in China that promote and merchandise the premium qualities of Seagram's Scotch whisky and Cognac brands.

The growth of Chivas Regal, Royal Salute, Martell Cordon Bleu, X.O. and L'Or has been exceptionally strong.

By comparison, India is a market of longer-term potential. Until the restrictions on importing bottled-in-Scotland Scotch whisky are lifted, Seagram's spirits business is limited to local spirits brands such as Blenders Pride and Oaken Glow and locally bottled Scotch whiskies, such as Something Special and Passport.

Duty free retailing is a multibillion-dollar industry. Seagram brands account for 20 percent of all premium spirits sales in duty free. During 1995, Seagram radically revised its approach to duty free to become a customer-driven business with a more unified approach to customers and a stronger, more strategic brand focus. Century, a blend 100 malt Scotch whiskies, was the first brand to be launched from this new strategic platform. Unveiled in January, 1996, it has been received with considerable acclaim by the duty free trade in Europe.

The global outlook for the spirits and wine market is one of slow growth. Within this environment, however, there is considerable potential for premium brands and emerging markets. Seagram

committed to increasing its focus on and investment in those brands and markets to maximize profit opportunities and to be the leading global marketer of premium spirits and wine brands.



Left:
Chivas Regal
Scotch Whisky,
buoyed by global
advertising,
achieved another
record year.

Right: The
signature red
ribbon identified
a new advertising
campaign for
Mumm Cordon
Rouge Champagne,
which has
increased its global
market share.

Fruit Juices, Coolers *and* Mixers

Fruit Juices, Coolers *and* Mixers
Fiscal Years Ended January 31,

Millions	1996	1995
Attributed Revenues	\$1,898	\$1,592
EBITDA	196*	159

*Excludes reengineering charge

Within the broader transformation of Seagram, The Seagram Beverage Group is itself a transformed division – transformed by the chilled juice revolution it leads, the acquisition of the Dole juice and juice beverages business (other than canned pineapple juice) in 1995, continued innovation, and the ongoing effects of improved customer service.

The Seagram Beverage Group, which produces, markets and distributes fruit juices, coolers, mixers, and other low-alcohol and non-alcohol adult beverages, expects continued category growth worldwide. Improved profitability will come from growing revenues in growing markets by marketing more effectively to consumers and customers, launching new products that satisfy consumer needs, and further geographic expansion. In addition, margins will be enhanced through the continued implementation of reengineering activities, as well as ongoing cost-savings efforts.

World's Largest Tropicana Dole Beverages, now the world's largest juice company, has become the leader in one of the world's most rapidly expanding food product categories. Orange juice is the most important product line, but Tropicana Dole Beverages also markets grapefruit juice, 100 percent juice blends, and other juices and drinks.

Right: A new international advertising campaign for Tropicana Pure Premium is expected to build share for the market-leading brand.

Two Tropicana Dole Beverage divisions – Tropicana Dole Beverages North America and Tropicana Dole Beverages International – were established after the acquisition of the Dole juice business. The international division's headquarters was relocated from Bradenton, Florida to Brussels and an Asian office was established in Singapore. Products are manufactured in the United States, France, Belgium and China. They are sold in the United States, Canada, parts of Latin and South America, most of Western Europe, China, Taiwan and Japan. Tropicana and Dole* lead the division's portfolio of brands, which also includes three additional brands acquired from Dole – Fruvita in Europe and Juice Bowl and Looza in North America and Europe.

Rapid Growth Juice and juice beverages constitute one of the fastest-growing food product categories today, expanding at six percent annually in North America on a volume basis and at seven percent worldwide. Orange juice is the leading juice within this dynamic category. Tropicana Pure Premium orange juice is the U.S. and Canadian market leader and one of the leading brands in supermarkets across all grocery categories. Tropicana Pure Premium's growth is being driven in North America by consumers' continually growing preference for chilled ready-to-serve, not-from-concentrate orange juice. Consumers have shown a willingness to pay premium prices for the freshness, superior taste and convenience of Tropicana Pure Premium juices. In the global market, demand is being driven by growing consumer awareness of juices and their nutritional value, as well as increased availability.

*The Dole brand name is licensed from Dole Food Company, Inc.



The launch in early 1996 of a new international advertising campaign for Tropicana Pure Premium increases the aggressive marketing of this brand and is expected to help build market share.

Tropicana Dole Beverages is the leading chilled orange juice producer in the United States. Its market share in the chilled juice category rose to 42 percent, spurred by double-digit growth in Tropicana Pure Premium, which accounts for nearly a third of all ready-to-serve orange juice sales in the United States. Tropicana Dole Beverages recorded chilled orange juice grocery retail sales of almost \$1 billion in the United States in 1995, more than double that of the next largest competitor. In Canada, Tropicana's chilled juice share is slightly more than 50 percent.

The 18 percent of Tropicana Dole Beverages' revenues outside North America is expected to increase steadily, as revenue and market share grow in international markets. Fruvita and Tropicana Pure Premium are the first and second leading chilled brands in France, and the company also leads in chilled market share in the United Kingdom and Taiwan. The global market, populated with small, local

companies, is only beginning to consolidate, with Tropicana Dole Beverages as the largest single participant.



Strategic direction is to continue growing its North American market share in chilled juices, broaden its product mix, expand its presence in alternative global markets and diversify into new distribution channels. Of equal importance is the strengthening of customer service and customer relations and the continued reduction of expenses. 1995 was a pivotal year in the realization of this strategy.

Dole, Fruvita, Looza and Juice Bowl broaden and enrich the company's brand portfolio. In North America, the Tropicana brand is associated with citrus and breakfast and is strongest in the East. In the United States, Dole is associated with non-citrus and all-day consumption and is strongest in the West. The acquisition of Dole's juice and juice beverage business also brought an efficient distributed manufacturing network in the United States where Dole products are packaged regionally by independent co-packers. The two European plants from the Dole acquisition bring the business closer to key customers





and producers. These plants now produce all chilled products and most of the company's shelf-stable brands sold in Europe. And a plant in China also acquired from Dole, speeds the company's expansion into that giant market.

Getting closer to customers is a central Tropicana Dole Beverage priority that contributed significantly to 1995 progress. North American supermarkets and groceries are the traditional customer base. There have been measurable gains in the percentage of orders shipped and received complete and on time, with a demand invoicing system largely eliminating customer invoice error (a persistent industry problem) in the accounts to which it has been applied. Category management may be the best measure of successful customer focus. In this relationship, the company helps the retailer manage the chilled juice section for maximum sales and profits. Since mid-1994, 25 of the company's 50 largest retail accounts have designated Tropicana Dole Beverages as category manager.

Channel diversification continued to be a significant contributor to growth in 1995, with mass merchandisers, convenience stores, restaurants, food service establishments and vending machines taking an increasing share of the consumer's food dollar. Tropicana Dole Beverages in the United States improved both its product mix and service to these important outlets as well.

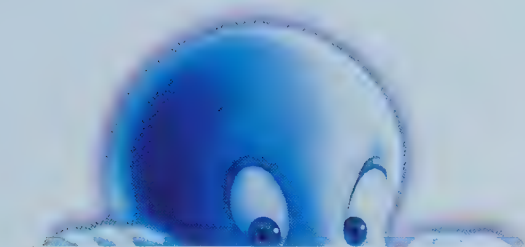
The Seagram Beverage Company continued its strategy of building premium brands in low- and non-alcohol beverages. During 1995, the company successfully introduced Wild Untamed Flavors, a line of flavorful fruit coolers that include Wild Kiwi Strawberry, Wild Tropical Fruit and Wild Mango. Seagram Coolers grew share in this highly competitive market in 1995.

In early 1996, an agreement was signed with Grolsch N.V. to become the exclusive importer of Grolsch beer in the United States. Seagram's strong sales and distribution network, combined with its successful track record in building premium brands, is expected to boost Grolsch's U.S. growth. Other new low-alcohol products are in various stages of development, thereby expanding the portfolio in response to the rapidly growing premium low-alcohol market in the United States.

The Seagram Beverage Company also produces and sells a full line of Seagram Mixers, including Ginger Ale, Tonic Water, Club Soda and Seltzer. Volume and market share of mixers have been steadily increasing as the company expands its presence both within the United States and in selected international markets.

Looking to the future, the overall global market for juice and juice beverages should continue to grow. The Seagram Beverage Group is extremely well positioned to capitalize on this momentum and build on the company's established market leadership.

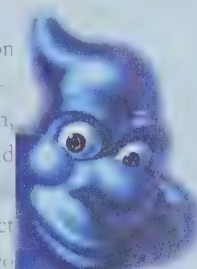
Filmed Entertainment



Filmed entertainment – motion pictures, television, home video and image-based software for emerging delivery systems – ranks today as the dominant entertainment form for consumers worldwide.

Historically, MCA/Universal has been an industry leader in filmed entertainment, and the company has renewed its commitment to that leadership by embarking on a multi-year program designed to improve performance through creative talent alliances, globalization and cost control.

MCA/Universal produces filmed entertainment across the entire spectrum of distribution opportunities. Universal Pictures produces theatrical films that are marketed both domestically and internationally to movie theaters, home video, pay television, network television, basic cable and syndicated television. In television, the company produces drama and comedy series, made-for-television movies and other original programming for network broadcast. In addition, it distributes original television programming, off-network product and theatrical features to individual television stations and basic cable outlets. Home video releases include both new and catalog programming worldwide. In addition, the MCA/Universal library encompasses more than 3,500 motion pictures and 16,000 episodes of television programming. MCA/Universal also provides production facilities and services at Universal City, California and Orlando, Florida.



Motion Pictures Worldwide motion picture industry revenues totaled approximately \$10.5 billion in 1995. Domestic box office revenues have grown little in recent years and now account for less than one-fifth of a typical film's revenue. Other revenue sources, including international distribution, home video and pay television, are growing rapidly. New technology, including digital video and video-on-demand, provides potential new distribution forms and revenue sources.

Universal Pictures is one of seven major motion picture distributors, which together account for about 90 percent of domestic box office revenue – the basic industry yardstick of market share. In 1995, Universal finished fourth in domestic market share. The studio released 18 feature films with a total domestic gross of \$669 million. Its market share rose almost 14 percent as a result of a record-breaking summer season, a key moviegoing period in which Universal led all studios in domestic ticket sales. Universal's total worldwide box office gross for 1995 was nearly \$2.5 billion.

Apollo 13 has generated more than \$350 million in worldwide ticket sales to date, while *Casper* and *Waterworld* each had worldwide grosses in excess of \$250 million in 1995.



Millicent	
Attributed	
Revenues	\$3, 5
...	
Return	
D	
...	
include MCA/Universal	
of lun	

The family comedy *Babe* also contributed significantly during the late summer period and has since become a major international success, grossing over \$200 million worldwide to date. In addition, Universal led all studios with 20 Academy Award® nominations, including Best Picture nominations for *Apollo 13* and *Babe*.

Universal product for 1996, largely developed prior to the Seagram acquisition, should appeal to a broad range of moviegoing tastes. These films include the Steve Martin comedy, *Sgt. Bilko*; *Flipper*, a film with strong family appeal; the epic fantasy adventure, *Dragonheart*; a new version of the classic comedy, *The Nutty Professor*, starring Eddie Murphy; *The Frighteners*, a unique event film from executive producer Robert Zemeckis; the film version of John Grisham's *The Chamber*, starring Gene Hackman and Chris O'Donnell; *Liar, Liar*, a new comedy with Jim Carrey; and *Daylight*, an action drama starring Sylvester Stallone. Additionally, Universal should realize considerable success with the international distribution rights to *Twister*, an intense thriller from Amblin Entertainment.

Plans for 1997 include the release of *The Lost World*, the sequel to *Jurassic Park* – the highest grossing film of all time. Steven Spielberg is back in the director's chair, and the film is already in pre-production.

These films are the kind of popular entertainment that can provide multiple revenue opportunities for several

years, as they can be leveraged to create feature film sequels, television series and theme park attractions.

Under its new management, MCA/Universal has aggressively refocused its energies toward designing a dynamic working environment that nurtures the finest creative talent in the industry. Perhaps most significantly,

MCA/Universal has entered into a long-term strategic alliance with DreamWorks SKG, the entertainment company founded by Steven Spielberg, Jeffrey Katzenberg and David Geffen. Under this landmark agreement, MCA/Universal gained key international distribution rights to DreamWorks' live action and animated motion pictures, as well as worldwide home video and music distribution rights and the rights to utilize characters and concepts created by DreamWorks in MCA/Universal's theme parks.

Since the arrival of its new management, MCA/Universal has formed long-term alliances with some of the world's most popular talent and successful production companies, including Sylvester Stallone; producer-directors Ron Howard, John Singleton, Jerry Zucker and David Zucker; director Andrew Bergman and his producing partner Mike Lobell; Danny DeVito's Oscar-winning company, Jersey Films; Demi Moore's Moving Pictures; Penny Marshall's Parkway Productions; Ron Howard and Brian Grazer's Imagine Entertainment, long a source of important films for MCA/Universal, which has



Left top:
Computer-generated special effects helped make *Casper* an international success.

Left below:
Apollo 13 has generated more than \$350 million worldwide.

Right: *Babe*,
a global hit, captured the hearts of audiences of all ages.



extended its production arrangement with the company; and The Bubble Factory, a newly created entertainment company headed by former MCA President Sid Sheinberg. Additionally, Universal has ongoing production deals with such filmmakers as Martin Brest, Ivan Reitman, Phil Alden Robinson and Robert Zemeckis. These agreements are expected to provide a steady and diverse source of feature films to distribute for years to come.

Universal has set a number of objectives as it moves forward to become more profitable and evolves to meet the demands of an ever-changing marketplace. Plans include: focusing on films with global appeal and cross-business potential; executing a more disciplined exploitation of MCA/Universal's vast film library, which contains more than 80 years of film properties; and making the necessary commitment to digital technology. New technology will continue to play a key role in the future of entertainment companies, and MCA/Universal must devote the necessary creative and financial resources to take a lead position in an arena that is transforming filmed entertainment businesses.

As MCA/Universal moves in these new directions, a number of significant challenges lie ahead. Worldwide audiences face a bewildering number of entertainment choices, and they have become increasingly demanding in their perception of value. Family, action and animated movies have strong domestic and international appeal, but it is the "event" film that has become the foundation for motion picture companies. Even with the advent of new distribution

forms and their revenue potential, Universal, like the other studios, has seen profitability dip in the face of the difficult economics of production, marketing and distribution. While the domestic marketplace has remained flat, the industry has looked more and more to the expansion of the international theatrical, video and television (pay and free) markets to enhance profitability. This trend is expected to continue, and the company is well-positioned, with its resources and reenergized creative environment, to take full advantage of all opportunities in a rapidly evolving landscape.

Television Television programming is another major entertainment sector, with U.S. revenues approximately \$13 billion in 1995. The industry is largely driven by sales to the U.S. broadcast networks, though sales to cable (and cable viewing) are steadily increasing and sales to international distribution have been growing significantly faster than U.S. sales. Network programming has shifted away from hour-long action programs which have been an MCA/Universal strength. The move has been to half-hour programs, usually comedy, where MCA/Universal is less strong. The creation of new television networks and the expanding channel capacity of cable television systems both increase demand for television programming.

All of the major film studios are significant producers of network television programming. However, as a result of deregulation, the four leading broadcast networks (ABC, CBS, NBC and Fox) also



produce prime time television programming, in addition to numerous other entities.

MCA/Universal's primary mandate is to position itself as one of the top worldwide suppliers of prime time and first-run series, made-for-television movies and mini-series, as well as animated programming.

Universal Television is broadening its range of programming, with particular emphasis on half-hour program forms; greater exploitation of the MCA/Universal library; and strategic talent alliances, including new development deals with writer-producers such as Robert Singer, David Richardson, Elaine Pope, Maya Forbes, Sam Raimi and Rob Tapert, Shaun Cassidy, and Michael Chernuchin.

Universal Television's 1995-96 season in the United States included the 12th season of *Murder, She Wrote* (starring Angela Lansbury) on CBS, the eighth season of *Coach* (starring Craig T. Nelson) on ABC, and the sixth season of *Law & Order* on NBC. Other series included *New York Undercover* (Fox), *American Gothic* (CBS), *Partners* (Fox), *Sliders* (Fox) and *Weird Science* (USA Network). Prime time movies based on *The Rockford Files* (starring James Garner) continued on CBS.

MCA TV, for the second year in a row, distributed the leading new syndicated action hour on U.S. television. *Hercules: The Legendary*

Journeys led the 1994-95 season and has continued to build its audience. Its spin-off series, *Xena: Warrior Princess*, led the 1995-96 season launch.

MCA TV International, with sales offices around the world, handles television distribution of television programs and feature films in more than 80 countries worldwide. The Television Group will continue to seek global opportunities as the company repositions its television assets in the international marketplace.

MCA Television Entertainment's widely acclaimed *Dream On* series aired its 100th episode on HBO; *Here Come the Munsters* was Fox's second highest-rated television movie to date; and *Fudge* was one of ABC's leading children's series. A new mini-series, *The Beast*, based on the best-selling Peter Benchley novel, premieres on NBC during the May 1996 sweeps, a four-week period in which Nielsen measures local market viewership for use in setting advertising rates.

MCA/Universal Family Entertainment and Universal Cartoon Studios provide animated and live-action children's and family programming to networks, first-run syndication and cable, as well as direct-to-video. The company has produced numerous award-winning series and specials in its five-year history, and in 1995 was producer of *Earthworm Jim*, the hit animated series on the Kids' WB Network; the all-new *Casper* series on the Fox Children's Network;



and the hit animated series of *The Land Before Time* feature-length sequels, in association with MCA Home Entertainment.

Home Video Home video industry revenues in 1995 were \$15.8 billion in the United States. MCA/Universal Home Video, the company's U.S. home video entity, contributed to this number with the release of 135 new-to-video titles, including *Casper* and *Apollo 13*, the latter featuring a sales cross-promotion with Tropicana Pure Premium orange juice. Direct-to-video releases included *The Adventures of Timmy the Tooth*, an original children's series; *The Land Before Time III: The Time of the Great Giving*, the second installment of the direct-to-video sequels to the theatrical feature, *The Land Before Time*; and *Darkman II: The Return of Durant*, the sequel to the cult film, *Darkman*. Classic releases ranged from *For Whom the Bell Tolls* to the Ma & Pa Kettle vintage movie series.

Among MCA/Universal's home video releases planned for 1996 are such theatrical titles as *Babe*, *Casino* and *12 Monkeys*, and such direct-to-video titles as *Tremors 2: Aftershocks* and *The Land Before Time IV: Journey Through the Mists*.

USA Networks MCA owns 50 percent of USA Networks, a joint venture with Viacom. USA Networks operates USA Network, the highest-rated U.S. basic cable network in prime time for six consecutive years; the Sci-Fi Channel, one of the strongest new channel launches in cable history; USA Latin America; and the Sci-Fi Channel in Europe. USA Networks' third international channel launches in Brazil in May 1996.

USA Network reaches more than 67 million homes via 12,500 affiliates, including cable, direct broadcast satellite and MMDS (a new wireless cable system). As part of its leadership position in prime time, USA programs original series such as *Silk Stalkings*, cable's leading original series; *USA Pictures Original Movies*; and successful off-network series such as *Murder, She Wrote* and *Wings*. Recently, USA Network converted more than half of its prime time schedule to original programming.

The Sci-Fi Channel, which is about to break the 30-million-subscriber mark in its third year, programs movies, series and original science fiction, fantasy and classic horror. As an extension of the Sci-Fi brand, the network launched the *Dominion* site (<http://www.scifi.com>) on the Internet in March, 1995.

Cineplex Odeon MCA has a more than 40 percent equity interest in Cineplex Odeon Corporation, a public entertainment company that owns and operates motion picture theaters and related food service concessions in 14 U.S. states, the District of Columbia and six Canadian provinces. Cineplex Odeon ranks as the third largest motion picture exhibitor in the United States and Canada in terms of box office revenues and fourth in terms of number of screens. The company has 1,512 screens in 325 theaters. Its theaters are located primarily in major metropolitan areas, with 88 percent of its U.S. screens in the top 15 U.S. markets and 79 percent of its Canadian screens in the top 10 Canadian markets.

In 1995, Cineplex Odeon opened a total of 59 new screens. Plans for future openings include approximately 150 new screens in 1996.

Left top to bottom: Stars of syndicated television's hottest new action hours, *Hercules: The Legendary Journeys* and *Xena: Warrior Princess*. Angela Lansbury stars in network television's longest-running drama series, *Murder, She Wrote*. Universal's *Coach* begins its ninth season on ABC in fall 1996. Right: Characters from the popular animated home video series, *The Land Before Time*.



Music

Music stands as an enormous category of the global entertainment industry, boasting healthy growth trends and attractive economics. In 1995, worldwide record sales exceeded \$37 billion across the industry and are expected to grow at about six percent annually through the year 2000. Well-managed music businesses provide excellent profit margins and returns on investment. Music publishing, a \$5 billion business with generally stable returns spread over long periods of time, should continue to grow rapidly.

MCA/Universal's music business is a strong performer, largely within the U.S. marketplace. Now under new management, the MCA Music Entertainment Group is expanding by building its position in new music genres and establishing its presence in global markets.

Diverse Labels MCA Music Entertainment encompasses record labels; manufacturing, sales, and distribution operations; music publishing; and MCA Concerts, a live event/concert promotion division. MCA's record companies create and market prerecorded compact discs, cassettes and LPs. Their music appears on such labels as MCA Records; Universal Records; MCA Records/Nashville; Geffen and DGC Records; GRP Recording Company, which includes the Impulse!, Decca Jazz and Blue Thumb labels; Rising Tide/Nashville; Uptown Records; and Interscope Records (50 percent ownership). New labels marketed by Geffen Records include Almo Sounds, Outpost Recordings, DreamWorks and SKG Records.

Among MCA's leading artists are Reba McEntire, Vince Gill, George Strait and Wynonna (with Curb Records) in country; Meat Loaf, Bush (with Interscope), Live (with Radioactive Records), and Guns N' Roses in rock; Salt-N-Pepa, Heavy D and the Boyz, Mary J. Blige, Jodeci, Patti LaBelle and Gladys Knight in urban; and George Benson, the Rippingtons and McCoy Tyner in jazz. The company also releases soundtrack albums for major motion pictures that have included *Dangerous Minds*, *Pulp Fiction*, *Schindler's List* and *Jurassic Park*, and markets a catalog of past recordings from legendary artists such as Jimi Hendrix, The Who, Patsy Cline and Buddy Holly.

Right: Counting Crows' debut album for DGC Records, August and Everything After, sold more than six million copies in the United States alone. Inset: MCA Records' Mary J. Blige reigns as the undisputed Queen of Hip-Hop Soul.

Music Publishing MCA Music Publishing owns and licenses songs from a diverse catalog of more than 155,000 copyrights, among them classic songs such as "I Want To Hold Your Hand," "Hound Dog," "Girl From Ipanema," and "Strangers In The Night." MCA Music Publishing also controls the music catalogs of The Mamas and The Papas and Steely Dan. Of special note: MCA Music songwriters Alanis Morissette and Glen Ballard co-wrote all of the songs on Morissette's *Jagged Little Pill* album, which has sold more than five million copies and won Album of the Year and Best Rock Album at the 38th Annual Grammy Awards – which also honored Morissette and Ballard's "You Oughta Know" as Best Rock Song.

North America and Europe are expected to continue to account for the majority of records sales volume, but developing markets – especially those in the Asia Pacific region – will represent a growing share of that total. Compact discs will continue to replace cassettes in most markets, and local artists are expected to provide an important share of sales volume. Given the global demand outlook, the primary drivers of business success have been, and should continue to be, the ability to attract and retain premium talent (not just performers, but also

Music*

Twelve Months Ended December 31,

Millions	1995	1994
Attributed Revenues	\$1,257	\$1,293
EBITDA	123	192

*Reflects results for the 12 months ended December 31, 1995 and 1994. The Company's results for the year ended January 31, 1996 include MCA results from the acquisition date of June 5, 1995 through December 31, 1995.



songwriters and producers) and the ability to maximize revenues through effective global marketing and distribution.

There are six major record companies, and following the acquisition of 50 percent of Interscope Records, MCA's market share rose to approximately 12 percent in the United States. MCA's global share of six percent can be attributed largely to its late entry into the international marketplace, which until the recent opening of MCA's own companies outside North America, inhibited the company's ability to sign and develop local artists. In addition, country music, one of MCA's strengths, achieves modest sales outside the United States and Canada. In music publishing, MCA's share resides at approximately five percent.

Scale is critical to presence and profitability in recorded music. In the United States, MCA has the artist development, marketing and distribution capabilities of its larger competitors. MCA's direction in music therefore comprises: a broadened base in multiple music genres; global reach in marketing and promotion; development of local artists in markets outside the United States and Canada; and the exploitation of new entertainment technologies.

One aspect of this plan was launched before Seagram acquired its interest in MCA. The company, which was represented by its own affiliates in less than 50 percent of the world record markets in 1990, reached 89 percent by the end of 1995, with the establishment of wholly-owned MCA record companies during the

year in Australia, Hong Kong, Malaysia, Taiwan, South Africa, New Zealand, Singapore, Ireland and Portugal. By the end of 1996, MCA anticipates that it will have operations in place to reach 95 percent of the global music market through entries into Mexico, Brazil, Argentina and Thailand.

Label Acquisitions In late 1995, Rising Tide Records, a joint venture record label, became wholly owned by MCA and was renamed Universal Records. Universal Records represents an important presence on the U.S. East Coast for the music group and is expected to enable MCA to sign and develop more artists. Uptown Records, one of the leading black music labels in the United States, also became wholly owned by MCA. The recent acquisition of a 50 percent interest in Interscope Records, one of the most creative and innovative labels in the industry, significantly bolsters MCA's presence in rock, R&B, rap and alternative music.

In addition to attracting and retaining artists in an extremely competitive marketplace, MCA has recruited strong, highly experienced executive talent to its various labels and has established important alliances. The new MCA management's goal is to move quickly and aggressively to bring in new creative talent across a broad range of music genres and to increase MCA's global presence and grow boldly in the dynamic worldwide music marketplace.



Recreation

Recreation*

Twelve Months Ended December 31

Millions	1995	1994
Attributed Revenues	\$447	\$440
EBITDA	124	128

Reflects results for the 12 months ended December 31, 1995 and 1994. The Company's results for the year ended January 31, 1996 include MCA results from the acquisition date of June 5, 1995 through December 31, 1995.

The magic of moviemaking is celebrated at Universal's theme parks, where the fun, fantasy, glamour and suspense of some of the world's best-loved motion pictures spring to life through state-of-the-art thrill rides, spectacular live-action shows and interactive experiences.

Universal owns and operates Universal Studios Hollywood, which has thrilled world-wide audiences for more than 30 years, and Universal CityWalk in California. In a joint venture, Universal and The Rank Organisation own Universal Studios Florida and are constructing Universal City Florida, a world-class destination resort. Both Universal Studios parks rank in the top six in domestic attendance. In early 1996, Universal announced plans for Universal Studios Japan in Osaka, the company's first theme park venture outside the United States.

The theme park industry is approximately \$8 billion worldwide and growing rapidly. Industry growth is fueled by consumers' desire for quality recreational experiences, along with the expansion of travel and tourism. The most promising growth markets reside in Western Europe and Asia, where the same forces are augmented by the huge demand for Western culture and entertainment.

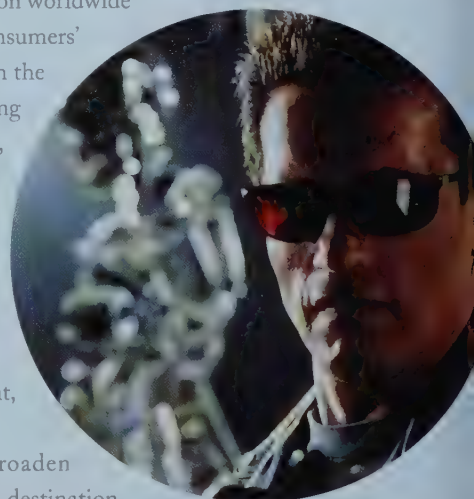
Near right: Arnold Schwarzenegger is featured in *Terminator 2: 3-D*, the world's first four-dimensional theme park attraction.

Far right: *Jurassic Park—The Ride* thrusts guests into a world of "living" dinosaurs.

Increasingly, theme parks represent only one facet of a broader industry, generally called site-based or out-of-home entertainment, which combines multiple entertainment experiences that may include resorts, live theater, sports, interactive entertainment, cinema, and themed retail shops, food and lodging.

The Universal Recreation Group plans to broaden its spectrum of entertainment properties to include destination resorts, theme parks, location-based entertainment, and themed-entertainment retail; to expand geographically, particularly in Asia and Europe; to enhance the appeal of its existing parks with major new attractions; and to improve the marketing and operating efficiency of its facilities.

During 1995, Universal and The Rank Organisation began development of Universal City Florida, an unprecedented destination resort in Orlando. The resort will combine a new family-oriented theme park, *Universal's Islands of Adventure* (developed with creative consultant Steven Spielberg), with a complex of themed hotels, professional golf and tennis facilities, convention facilities, and the E-Zone, a collection of themed restaurants, nightclubs, theaters



and shops. Built on more than 800 acres adjacent to Universal Studios Florida, Universal City Florida is scheduled to open in 1999 and will provide a prototype for similar projects elsewhere.

Universal and The Rank Organisation are each expected to hold 17 percent equity stakes in Universal Studios Japan. The remainder of the equity will be arranged by the City of Osaka and will include many prestigious Osaka-based companies. Construction is scheduled to begin in 1998, with an anticipated park opening in 2001.

Both of the current Universal Studios parks registered healthy attendance in 1995, with per capita spending by park visitors rising slightly from the previous year. Two new attractions drew large crowds: *WaterWorld: A Live Sea War Spectacular* in Hollywood and *A Day in the Park with Barney* in Florida. The *WaterWorld* attraction captures the eerie landscape of Universal's futuristic movie and surrounds guests with the film's explosive action. The *Barney* venue brings to life the purple dinosaur's make-believe preschool playworld in an imaginatively interactive musical show and educational playground.

Construction began last year on two exciting new feature attractions for the parks: *Jurassic Park - The Ride* in Hollywood, and *Terminator 2: 3-D* in Florida. *Jurassic Park* will thrust guests into the three-dimensional world of "living" dinosaurs where they will experience a treacherous 84-foot plunge down the longest,

fastest, steepest water descent ever built. With *Terminator 2: 3-D*, international superstar Arnold Schwarzenegger and film director James Cameron have joined forces again to create the world's first four-dimensional, interactive, themed attraction, featuring a dazzling combination of special effects, live-action stunts, digital sound and the most sophisticated 3-D motion picture ever created. Both attractions are scheduled to open in 1996 and are expected to draw a significant number of new visitors to the parks.

Universal CityWalk, the company's themed entertainment attraction in California, set a new sales record for the third consecutive year. Expansion continued with the opening of a new Hollywood Rock Cafe in January, 1996. Universal City Florida's *Fl-Zoo*, scheduled to open in 1998, is modeled after Universal CityWalk.

SEGA GameWorks, a newly announced joint venture of Universal DreamWorks SKG and SEGA Enterprises, will develop location-based entertainment centers featuring interactive attractions such as video arcade games and simulators. Universal plans to open more than 100 sites during the next four years.

With a rich entertainment heritage to draw from and a distinguished record for creating leading-edge themed environments and attractions, Universal will continue to grow through the renovation and expansion of its existing parks, international development and exploration of new approaches to site-based entertainment.





Publishing and Other Businesses*

Twelve Months Ended December 31,

Millions	1995	1994
Attributed Revenues	\$581	\$525
EBITDA	54	37

*Reflects results for the 12 months ended December 31, 1995 and 1994. The Company's results for the year ended January 31, 1996 include MCA results from the acquisition date of June 5, 1995 through December 31, 1995.

Publishing and Other Businesses



Forty-four books published by The Putnam Berkley Group reached *The New York Times* bestseller lists in 1995. Putnam Berkley has built its industry position as a niche publisher through acquisition and development of authors and through entry into new publishing areas.

Putnam Berkley publishes trade (or general interest) books for U.S. adult and child audiences. According to Book Industry Trends, consumer spending for books in 1995 was

Right: expected to reach \$23.2 billion. Putnam Berkley has consistently ranked in the top five among U.S. publishers in terms of best-selling titles. The company's primary imprints are Putnam for hardcover books, Berkley for paperbacks, and Putnam & Grosset for children's books.

A few of Putnam Berkley's bestsellers in 1995. The Putnam Berkley Group's goal has been to secure commitments from authors who reliably produce bestseller candidates on an annual or biennial basis. These authors, both literary and commercial, include Tom Clancy, Patricia Cornwell, Robin Cook, Dick Francis, Steve Martini, Robert B. Parker, Lawrence Sanders, LaVyrle Spencer and Amy Tan. Each of these authors produced a book included on *The New York Times* bestseller lists in 1995. Other important titles in 1995 included *The Murderers* by W.E.B. Griffin, *Charles Kuralt's America* by Charles Kuralt, and *Mind Prey* by John Sandford.

Merchandising helps create a new brand with *Dragonheart*, a 1996 Universal film release.

Riverhead Books, a new adult hardcover and trade paperback imprint, was created in 1995 to provide a framework for more cutting-edge, contemporary fiction and nonfiction with long shelf-life potential. Riverhead's 1995 titles included *Living Buddha, Living Christ* by Thich Nhat Hanh and *High Fidelity* by Nick Hornby.



In 1995, Putnam & Grosset published Eric Carle's children's book, *The Very Lonely Firefly*, which earned the number one spot on the *Publisher's Weekly* bestseller list. Illustrator and author Peggy Rathmann's book, *Officer Buckle and Gloria*, which was published by the G.P. Putnam's Sons division, received the 1995 Caldecott Medal for most distinguished American picture book for children.

Merchandising Continuing in the tradition of *Jurassic Park* and *The Flintstones*, last year MCA/Universal executed a major merchandising and brand-building program for *Casper* which encompassed key licensing, retail and promotion partners. Other significant properties during the year included *Apollo 13*, *Hercules: The Legendary Journeys*, *Woody Woodpecker* and *Rocky & Bullwinkle*. In 1995, promotional programs generated approximately \$90 million in incremental media dollars worldwide.

In early 1996, the Consumer Products Group was created, with plans to bring Universal's classic properties to life in an integrated but broad spectrum of distribution channels.

Spencer Gifts Spencer Gifts, with approximately 500 retail stores throughout the United States, sells merchandise ranging from lava lamps and proprietary electronics to rock 'n' roll and science fiction collectibles. The retailer caters to "baby boomers" and young adults with above-average incomes, as well as to older teenagers. Spencer Gifts' full-year, same-store sales were the best in nine years, increasing almost 10 percent from 1994 to 1995.

Halloween is a major event for Spencer Gifts, and 1995 was the best year ever. In addition to its regular stores, Spencer Gifts opened 66 temporary locations devoted entirely to Halloween merchandise.

Spencer Gifts introduced a customer relationship program in 1995. The Wild 'N' Crazy Card provides its 250,000 members with discounts, monthly prizes and a quarterly newsletter, *The Wild 'N' Crazy Times*, which keeps customers updated about happenings at Spencer Gifts. Spencer Gifts' Dapay store division also opened two notable stores this year: the first on famed 42nd Street in New York City, in conjunction with the Times Square renovation project, and the second, the chain's first airport location, at the Orlando International Airport in Florida.

Management's Discussion *and Analysis*

Redemption of 156 Million Shares of DuPont: On April 6, 1995, E.I. du Pont de Nemours and Company ("DuPont") redeemed common stock held by the Company in a transaction valued at \$8.8 billion. The Company received cash and 90-day notes from DuPont plus equity warrants valued at approximately \$440 million, as of the transaction date. The after-tax cash proceeds were \$7.7 billion. The Company has retained 8.2 million DuPont shares which had a market value of \$631 million at January 31, 1996.

Acquisition of Dole Juice Beverage Business: Seagram completed the acquisition of the global juice and juice beverage business (excluding canned pineapple juice) of Dole Food Company, Inc. ("Dole") on May 19, 1995 for \$276 million. The Dole operations which Seagram acquired include fruit juices marketed under the Dole, Juice Bowl, Fruvita and Looza trademarks and manufacturing capability in the U.S., Europe and China. The Dole brand name is licensed from Dole.

Acquisition of 80 Percent of MCA Holding I Corp.: On June 5, 1995, Seagram completed the purchase of an 80 percent interest in MCA Holding I Corp. ("MCA Holding"), the parent of MCA INC. ("MCA"), from Matsushita Electric Industrial Co., Ltd. ("Matsushita") for \$5.7 billion. Matsushita has retained a 20 percent interest in MCA Holding.

The discussion of business unit performance which follows shows attributed revenues and attributed earnings before interest, taxes, depreciation and amortization (EBITDA) which include Seagram's proportionate share of the revenues and EBITDA, respectively, of its equity companies. The adjustment for equity companies eliminates the proportionate share of the revenues or EBITDA of equity companies, and reflects the equity income as reported under U.S. generally accepted accounting principles.

The Company believes cash flow, as defined by EBITDA, is the most appropriate measure of the Company's operating performance, given the goodwill associated with the Company's acquisitions. In addition, financial analysts generally consider EBITDA to be an important measure of comparative operating performance. However, EBITDA should be considered in addition to, not as a substitute for, operating income, net income, cash flows and other measures of financial performance in accordance with generally accepted accounting principles.

The following detailed analysis of operations should be read in conjunction with the Consolidated Financial Statements of the Company found on pages 46 to 61.

There have been three transactions during 1995 which have substantially changed Seagram and impact the comparability of Seagram's financial statements.

Results of Operations

Year Ended January 31, 1996 vs. Year Ended January 31, 1995 Revenues and attributed revenues were \$9.7 billion and \$10.5 billion, respectively, up substantially from the prior year, largely due to the inclusion of partial year results of MCA and the Dole juice business. EBITDA, after a reengineering charge of \$290 million taken in the third quarter, was \$1.1 billion compared with \$968 million last year. Entertainment contributed \$420 million and fruit juices, coolers and mixers increased 23 percent, while spirits and wine declined six percent. Corporate expenses climbed to \$77 million from \$56 million largely because the increase in the market value of the Company's shares in the current year resulted in the recognition of additional expenses associated with stock-based compensation. Both years included expenses related to consulting fees and internal costs attributable to the Company's ongoing reengineering efforts. Operating income, after the \$290 million charge, declined to \$584 million. Excluding this charge operating income rose 21 percent to \$874 million.

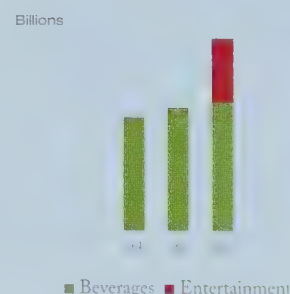
Interest, net and other in the year ended January 31, 1996 included \$273 million of net interest expense, partially offset by \$38 million of dividend income from Time Warner Inc. ("Time Warner") and the remaining DuPont investment. In the year ended January 31, 1995 net interest expense of \$396 million was partially offset by \$34 million of dividend income. The net interest expense decrease largely reflects the repayment of debt with a portion of the proceeds from the DuPont redemption and interest income earned from the temporary investment of the DuPont proceeds from April 1995 until the funding of the MCA Holding acquisition in June 1995.

The effective income tax rate on continuing operations for the year ended January 31, 1996 was 44 percent compared with 29 percent (exclusive of the 1981 transaction) in the prior period. The higher effective tax rate results from the non-deductibility of goodwill and the third quarter charge for reengineering activities, for which a tax benefit was not recognized in some countries where the charge was incurred. The income tax provision in the year ended January 31, 1995 included a charge of \$65 million attributable to the disallowance by the U.S. Tax Court of a loss on the Company's exchange of shares of Conoco Inc. for common stock of DuPont in 1981.

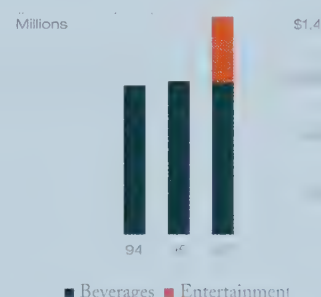
The minority interest expense of \$22 million represents the 20 percent minority interest in the after-tax income of MCA Holding.

Due to the redemption of most of the Company's DuPont shares on April 6, 1995, the Company discontinued accounting for its investment in DuPont under the equity method in the first quarter of this year. Earnings related to the DuPont investment are presented as discontinued activities. The discontinued activities include a \$3,164 million after-tax gain on the redemption of the 156 million shares and \$68 million of after-tax dividend income earned in the first quarter on the redeemed shares. In the year ended January 31, 1995, income from the discontinued DuPont activities includes \$264 million in after-tax dividend income and \$353 million of unremitted earnings (Seagram's share of DuPont's earnings not received as cash dividends).

Attributed Revenues
Fiscal Years Ended January 31



EBITDA
Fiscal Years Ended January 31



Earnings Summary

	Fiscal Years Ended January 31		
U.S. dollars in millions, except per share amounts	1996	1995	1994
Attributed Revenues	\$10,536	\$6,653	\$6,211
EBITDA	1,089	968	942
Operating Income			
Beverages	456	781	774
Entertainment	205	-	-
Corporate	(77)	(56)	(20)
Operating Income	584	725	754
Interest, net and other	235	362	319
Provision for income taxes	153	169	152
Minority interest	22	-	-
Income Before Discontinued DuPont Activities and Cumulative Effect of Accounting Change	174	194	283
Per share	\$.46	\$.52	\$.76
Discontinued DuPont activities	3,232	617	96
Net income before cumulative effect of accounting change	\$ 3,406	\$ 811	\$ 379
Cumulative effect of accounting change	-	(75)	-
Net Income	\$ 3,406	\$ 736	\$ 379
Net Income Per Share	\$ 9.13	\$ 1.98	\$ 1.02

Beverages

Fiscal Years Ended January 31,

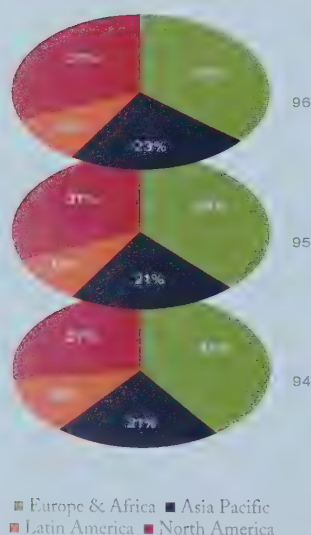
U.S. dollars in millions

	1996	1995	1994
Attributed Revenues			
Spirits and Wine	\$5,093	\$5,061	\$4,702
Fruit Juices, Coolers and Mixers	1,898	1,592	1,510
Attributed revenues	6,991	6,653	6,212
Adjustment for equity companies	(297)	(254)	(174)
Reported Revenues *	\$6,694	\$6,399	\$6,038
EBITDA			
Spirits and Wine	\$ 763	\$ 809	\$ 770
Fruit Juices, Coolers and Mixers	196	159	172
EBITDA before reengineering charge	959	968	942
Reengineering charge	(290)	—	—
EBITDA	669	968	942
Adjustment for equity companies	(8)	(7)	(5)
Depreciation and amortization	(205)	(180)	(163)
Operating Income – Beverages	\$ 456	\$ 781	\$ 774

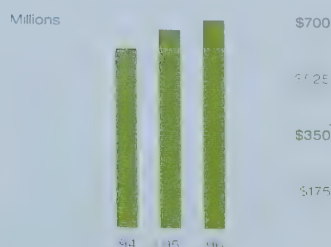
* Reported revenues include excise taxes of \$812, \$836 and \$811 for the fiscal years ended January 31, 1996, 1995 and 1994, respectively.

Earnings before the discontinued DuPont activities were \$174 million or \$0.46 per share in the current year compared with \$194 million or \$0.52 per share in the prior year. Net income was \$3.4 billion or \$9.13 per share for the year ended January 31, 1996, including the discontinued DuPont activities compared with \$736 million or \$1.98 per share last year, which included a \$75 million after-tax charge for the cumulative effect of the adoption of FAS 112, relating to postemployment benefits.

Attributed Revenues
Spirits and Wine
Fiscal Years Ended January 31,



Spirits and Wine Brand Support
Fiscal Years Ended January 31,



Beverages

Spirits and Wine The spirits and wine results were adversely affected by the continued difficult market conditions in Europe. Spirits and wine attributed revenues increased slightly; excluding the impact of translation of foreign currencies, attributed revenues were essentially unchanged year-on-year. EBITDA, before the reengineering charge taken in the third quarter, decreased six percent and EBITDA as a percent of attributed revenues declined from 16.0 percent to 15.0 percent as a result of higher marketing spending and continued investment in developing markets. The impact of foreign exchange on EBITDA was immaterial.

Case volumes declined three percent in the year ended January 31, 1996 principally from the reduction of trade inventories in Europe. Mumm Sekt, reflecting weakness in the German market, had an 18 percent decline in shipments. However, a number of the Company's premium brands showed strong unit gains, including Chivas Regal Scotch Whisky for which shipments grew three percent, Martell Cognac which increased volumes four percent on the strength of operations in Asia Pacific, and Crown Royal Canadian Whisky for which shipments increased five percent. Absolut Vodka, for which the Company gained distribution rights in major international markets beginning in 1994, showed 11 percent growth in shipments in the United States and 15 percent growth globally as we continued to expand our distribution of the brand.

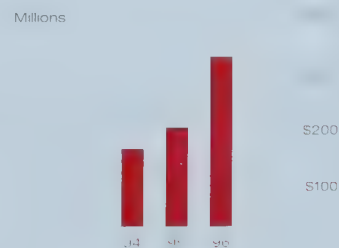
Attributed revenues generated outside of North America continue to account for approximately 69 percent of total attributed revenues. Europe and Africa, which accounts for 36 percent of total attributed revenues, remains the Company's largest geographic region. North American attributed revenues were 31 percent of total attributed spirits and wine revenues. Asia Pacific, our fastest growing region, has increased to 23 percent of the total, while Latin America accounts for 10 percent of spirits and wine attributed revenues. (This geographic breakdown, which is used by management to measure the performance of marketing affiliates, excludes excise taxes, assigns sales to the region in which the purchaser is located and includes our proportionate share of the revenues of equity company affiliates. The geographic data contained in Note 11 of the Notes to the Consolidated Financial Statements include excise taxes as well as the Company's other operations, and are based upon the location of the legal entity which invoices the sale.)

Attributed Revenues
Fruit Juices, Coolers and Mixers
Fiscal Years Ended January 31



International for 1996
22% Asia Pacific, 73% Europe
5% Latin America

Tropicana Dole Beverages
International Attributed Revenues



The EBITDA decline is attributable to a 20 percent shortfall in Europe and Africa, which was partially mitigated by strong performances in Asia Pacific and the Americas. The weakness in Europe and Africa resulted primarily from the difficult trading conditions in Germany, Spain and Portugal. Asia Pacific continued its broad-based profit growth, particularly in Greater China and South Korea. North America's results were driven largely by growth in Crown Royal Canadian Whisky, Captain Morgan Original Spiced Rum and Absolut Vodka. The improved contribution from Latin America was mainly the result of significantly higher profits in Venezuela.

Despite the difficult operating results, we continued to invest in our future by increasing brand spending five percent and investing in new markets such as India. Advertising is focused behind core strategic brands including Chivas Regal Scotch Whisky for which a new global advertising campaign was introduced in 1995.

Depreciation and amortization of assets were \$99 million in the January 1996 year and \$90 million in the prior year. Amortization of goodwill was \$24 million and \$22 million in the years ended January 31, 1996 and 1995, respectively. Spirits and wine capital expenditures rose to \$165 million from \$109 million in the year ended January 31, 1995. Total identifiable assets were \$5,541 million at January 31, 1996 compared with \$5,390 million at January 31, 1995.

Fruit Juices, Coolers and Mixers Attributed revenues for the total unit increased 19 percent to \$1.9 billion as Tropicana Dole Beverages had 22 percent higher revenues, including the partial year results of the juice beverage business acquired from Dole. Tropicana's attributed revenues rose eight percent, excluding revenues from the acquired Dole operations. EBITDA, before the reengineering charge recorded in the third quarter, rose 23 percent to \$196 million reflecting strong performances in the Tropicana base businesses and the acquisition of the Dole juice beverage business. EBITDA as a percent of attributed revenues in the year just ended rose to 10.3 percent from 10.0 percent.

Excluding the operations acquired from Dole, Tropicana's unit volume increased eight percent driven largely by an 11 percent increase in Pure Premium in North America. The combined Pure Premium and Season's Best share of the U.S. chilled orange juice market was a record high 42 percent in fiscal 1996. Total international attributed revenues increased 71 percent reflecting growth in all major markets by Tropicana's base business and the contribution from the Dole juice businesses.

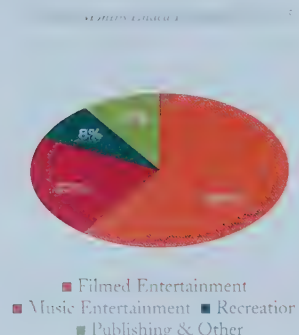
Depreciation and amortization of assets was \$55 million in the January 1996 year and \$44 million in the prior year. Amortization of goodwill was \$27 million and \$24 million in the years ended January 31, 1996 and 1995, respectively. Capital expenditures for fruit juices, coolers and mixers were \$92 million in the January 1996 year and \$47 million in the prior year. Total identifiable assets were \$2,062 million at January 31, 1996 compared with \$1,638 million at January 31, 1995.

Reengineering Activities In connection with a program to better position its beverage operations to achieve its strategic growth objective, the Company recorded a pretax charge of \$290 million in the quarter ended October 31, 1995. The charge related principally to the Company's global spirits and wine manufacturing, financial,

marketing and distribution systems and includes rationalization of facilities in the United States and Europe and other costs related to the redesign of processes associated with the fulfillment of customer orders and the organizational structure under which the spirits and wine business operates. The components of the \$290 million charge reflect approximately a \$100 million provision for severance costs, \$120 million for asset write-downs/impairments and \$70 million for facility rationalizations, including lease terminations, and other reengineering programs.

After giving effect to the charge, the beverages segment reported EBITDA of \$669 million and operating income of \$456 million compared with EBITDA of \$968 million and operating income of \$781 million in the prior year. While the full magnitude of the cost savings associated with the charge will take several years to achieve, the benefits will build over time and management expects savings beginning in the fiscal year commencing July 1, 1996. In addition, a significant portion of the cash outlays associated with the plan should be completed by June 30, 1997.

Attributed Revenues
Entertainment



Entertainment

In the year ended January 31, 1996, MCA contributed \$3.5 billion to attributed revenues and \$420 million and \$205 million to EBITDA and operating income, respectively, which represents MCA's results since the Company acquired its 80 percent interest in MCA Holding in June 1995. Although the Company's reported financial results reflect only the partial year of MCA operations, in order to provide a basis of comparison, the discussion that follows is based upon MCA results for the 12 months ended December 31, 1995 compared with the prior year.

Filmed Entertainment Filmed entertainment attributed revenues grew five percent to \$3.5 billion, and EBITDA increased to \$292 million. EBITDA as a percent of attributed revenues was 8.4 percent as compared with 5.3 percent in the prior year.

The motion picture group was driven by the successful worldwide performance of our summer pictures including *Casper*, *Apollo 13* and *Babe*. Our share of the domestic box office increased from 11 percent to almost 13 percent in 1995. Television operations benefited from higher sales of library product at improved margins, in addition to reduced losses on fewer new network and first-run syndication series. EBITDA at our 50 percent owned joint venture, USA Networks, increased substantially due to higher advertising revenues, increased subscriber revenues and lower programming costs.

Music Entertainment The music entertainment group faced difficult comparisons due to an exceptionally strong performance in 1994. Attributed revenues declined three percent to \$1,257 million, while EBITDA fell 36 percent to \$123 million. EBITDA as a percent of attributed revenues decreased from 14.8 percent in 1994 to 9.8 percent in 1995 as a result of increased investment in new label joint ventures and international expansion, and higher reserves to reflect the current retail market conditions.

New releases in 1995 included albums by Live and White Zombie, and the *Dangerous Minds* soundtrack, following successful new albums in 1994 by The Eagles, Counting Crows, Aerosmith and Nirvana.

Recreation Attributed revenues increased two percent to \$447 million in 1995, while EBITDA decreased slightly to \$124 million from \$128 million. EBITDA as a percent of attributed revenues declined from 29.1 percent to 27.7 percent reflecting higher development spending and a non-recurring gain realized in 1994.

Entertainment

	12 Months Ended December 31		
	1996	1995	1994
Attributed Revenues	\$2,124	\$3,487	\$3,313
Cost of Sales	753	1,257	1,293
Depreciation and amortization	287	447	440
Goodwill impairment	381	581	525
Operating Income	3,545	5,772	5,571
Equity companies	(492)	(798)	(753)
Operating Income	\$3,053	\$4,974	\$4,818
Entertainment/Broadcasting	\$ 240	\$ 292	\$ 176
Music Entertainment	59	123	192
Recreation	85	124	128
Publishing & Other	36	54	37
EBITDA	420	\$ 593	\$ 533
Adjustment for equity companies	(56)		
Depreciation and amortization	(159)		
Operating Income	\$ 205		

Note: The Company's results for the year ended January 31, 1996 include seven months of MCA, from the acquisition date of June 5, 1995 until December 31, 1995.

Our theme parks were solid, despite pressure from new attractions and aggressive marketing efforts by competing theme parks. Universal Studios Hollywood had a four percent increase in per capita spending and one percent growth in attendance. Per capita spending at Universal Studios Florida, our 50 percent owned joint venture, was up slightly and attendance was essentially unchanged.

Publishing and Other Attributed revenues were up 11 percent to \$581 million, while EBITDA grew to \$54 million. Book publishing was higher due to successful new releases by a number of authors including Tom Clancy, Patricia Cornwell, Amy Tan and Charles Kuralt. Spencer Gifts had a very strong year, with comparable store sales up over nine percent. EBITDA also benefited from several favorable non-operating income items.

Results of Operations

Year Ended January 31, 1995 vs. Year Ended January 31, 1994 In the year ended January 31, 1995, total attributed revenues rose seven percent as a result of increases by both spirits and wine, and fruit juices, coolers and mixers. EBITDA increased three percent due to improved spirits and wine operations, while operating results from fruit juices, coolers and mixers declined. Corporate expenses for the fiscal year ended January 31, 1995 included \$35 million of expenses related to the Company's reengineering efforts. Operating income increased one percent to \$760 million before this charge, but declined to \$725 million after the charge.

Interest, net and other in the year ended January 31, 1995 included \$396 million of net interest expense, partially offset by \$34 million of dividend income from Time Warner and DuPont. In the year ended January 31, 1994, net interest expense was \$339 million and dividend income was \$20 million. The higher net interest expense reflected a higher average net debt resulting from financing the Time Warner investment, and an increase in average interest rates.

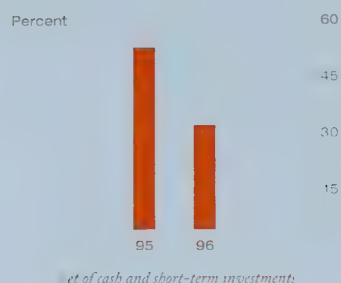
The effective income tax rate related to continuing business, and excluding the \$65 million charge related to the 1981 DuPont transaction, decreased from 35 percent to 29 percent because a greater proportion of income was derived from countries with relatively lower tax rates.

In the year ended January 31, 1995, income from discontinued DuPont activities included \$264 million in after-tax dividend income and \$353 million of unremitted earnings. In the year ended January 31, 1994, after-tax dividend income was \$256 million and unremitted DuPont earnings reflected a loss of \$160 million, due to significant non-recurring charges taken by DuPont.

Net income for the year ended January 31, 1995 was \$736 million, or \$1.98 per share, up 94 percent from the prior year reflecting improved DuPont results. Net income included a \$75 million after-tax charge for the cumulative effect of an accounting change relating to postemployment benefits.

Debt*/Debt* + Equity Ratio

Fiscal Years Ended January 31,



Beverages

Spirits and Wine Spirits and wine attributed revenues increased eight percent including the sales of Absolut Vodka, which the Company began distributing in 1994. EBITDA grew five percent to \$809 million. EBITDA represented 16.0 percent of attributed revenues as compared with 16.4 percent in the year ended January 31, 1994. This decline was partially the result of higher sales from agency brands in 1994, primarily Absolut Vodka, as well as increased investment in our key brands and strategic markets.

Case volume grew six percent in 1994 as a number of the Company's premium brands showed strong unit gains including Chivas Regal Scotch Whisky, Martell Cognac and Passport Scotch Whisky.

The Company experienced strong revenue growth in North America and many key Far Eastern markets. Most Latin American affiliates suffered from difficult economic conditions. The year-on-year results in Europe were adversely affected by the loss of profits from agency brands that were terminated in France and Germany in 1993.

Fruit Juices, Coolers and Mixers Attributed revenues rose five percent but the fruit juices, coolers and mixers EBITDA declined eight percent in the year ended January 31, 1995 as a result of weakness in the shelf stable business in the U.S. and continued investment in international expansion. EBITDA as a percent of attributed revenues fell to 10.0 percent from 11.4 percent.

Tropicana's revenue growth resulted from the continued success of Pure Premium Grovestand Orange Juice and Pure Premium Grapefruit Juice, which were introduced in 1993, as well as the introduction of Pure Premium Ruby Red Orange Juice and the repositioning of the Season's Best line of from-concentrate juices. The combined Pure Premium and Season's Best share of the U.S. chilled orange juice market rose three percent to 41 percent in 1994. Unit volume increased 11 percent, including a 57 percent jump in international unit volumes.

Financial Position

The Company's financial position strengthened considerably during the fiscal year ended January 31, 1996. Net cash provided by continuing operations increased to \$1,025 million from \$519 million in the prior year. Although income before discontinued DuPont activities was lower than in the prior year, results in the current year included significant non-cash charges such as depreciation and amortization of assets and amortization of excess of cost over fair value of assets acquired related to the MCA Holding and Dole juice business acquisitions. Amortization of film costs relating to released theatrical and television films was \$642 million. Net cash provided by continuing operations was partially reduced by higher working capital requirements.

Entertainment

	Fiscal Year Ended	12 Months	
	January 31,	Ended December 31,	
	1996	1995	1994
Capital Expenditures			
Filmed Entertainment	\$ 40	\$ 59	\$ 66
Music Entertainment	26	33	30
Recreation	90	114	98
Publishing and Other	19	23	25
	\$175	\$229	\$219

Note: The Company's results for the year ended January 31, 1996 include seven months of MCA, from the acquisition date of June 5, 1995 until December 31, 1995.

Net cash provided by investing activities was \$875 million compared with net cash used of \$637 million in the prior year. The increase in the year ended January 31, 1996 was largely attributable to the net after-tax cash proceeds of the DuPont redemption transaction of

\$7.7 billion, a portion of which was used to finance the \$5.5 billion purchase of 80 percent of MCA Holding (net of acquired cash) and the \$273 million acquisition of the juice beverage operations of Dole (net of acquired cash). In addition, the Company's investment in 14.7% of Time Warner stock had a market value of \$2.4 billion on January 31, 1996. As the Company has previously stated, in light of the MCA acquisition, we are evaluating our options, including a possible sale of this investment. Total capital expenditures increased from \$172 million to \$433 million: beverages spending increased from \$156 million to \$257 million, MCA had \$175 million of capital expenditures, and corporate capital spending declined from \$16 million to \$1 million. In addition, film production costs were \$684 million, which represents the Company's investment in films.

Total long- and short-term debt, net of cash and short-term investments, declined to \$3.6 billion at January 31, 1996, from \$5.2 billion at January 31, 1995. The ratio of net debt to total capitalization decreased significantly from 48 percent to 28 percent. This decrease reflected the \$1.6 billion decline in net debt and the increase in shareholders' equity, largely due to the \$3.2 billion gain on the DuPont transaction.

The Company continues to utilize U.S. dollar denominated commercial paper to fund seasonal working capital requirements in the U.S. and Canada. Commercial paper borrowings are supported by bank credit line commitments. The Company also borrows in different currencies from other sources to meet the borrowing needs of its affiliates.

Management believes funds from operations will be sufficient to meet future financial obligations.

Return to Shareholders

The Company had 8,183 registered shareholders at March 15, 1996. The Company's common shares are traded on the New York, Toronto, Montreal, Vancouver and London Stock Exchanges. Closing prices at January 31, 1996, on the New York and Toronto Stock Exchanges were \$36.38 and C\$49.75, respectively.

In the fiscal year ended January 31, 1996, dividends paid were \$0.15 per share per quarter. In the prior fiscal year, the Company paid dividends of \$0.14 per share in the first two quarters and \$0.15 per share in the final two quarters. Dividends paid to shareholders totaled \$224 million in the year ended January 31, 1996 and \$216 million in the prior period.

Recently Issued Accounting Standards

In October 1995, the FASB issued FAS No. 123, "Accounting for Stock-Based Compensation," which establishes fair value accounting and reporting standards for stock-based employee compensation plans. Companies may elect to continue to account for stock-based compensation using the intrinsic value approach under APB Opinion No. 25. The Company is required to adopt FAS No. 123 in 1996 and anticipates following APB Opinion No. 25 with pro forma disclosure using the fair market value method specified in FAS No. 123.

Quarterly High and Low Share Prices

	Fiscal Year Ended			
	1996			
	High	Low	High	Low
New York Stock Exchange				
First Quarter	US\$32 ³ / ₈	US\$25 ⁵ / ₈	US\$31	US\$27
Second Quarter	36 ³ / ₄	26 ³ / ₄	32	28
Third Quarter	38 ¹ / ₈	34 ¹ / ₄	32	29
Fourth Quarter	39 ¹ / ₂	34 ¹ / ₄	30	27
Canadian Stock Exchanges (Canadian Dollars)				
First Quarter	C\$45 ¹ / ₄	C\$35 ¹ / ₂	C\$42	C\$37
Second Quarter	50	36 ¹ / ₄	43	38
Third Quarter	52	46 ¹ / ₄	44	39
Fourth Quarter	53 ¹ / ₄	46 ⁷ / ₈	43	37

Consolidated Statement of Income

U.S. dollars in millions, except per share amounts	1996	Fiscal Years Ended January 31,	
		1995	1994
Revenues	\$9,747	\$6,399	\$6,038
Cost of revenues	6,122	3,654	3,451
Selling, general and administrative expenses	3,041	2,020	1,833
Operating Income	584	725	754
Interest, net and other	235	362	319
	349	363	435
Provision for income taxes — current year	153	104	152
— 1981 transaction	—	65	—
Minority interest	22	—	—
Income Before Discontinued DuPont Activities and Cumulative Effect of Accounting Change	174	194	283
Discontinued DuPont Activities:			
Dividends, after tax	68	264	256
Unremitted earnings (loss)	—	353	(160)
Gain on redemption of 156 million shares, after tax	3,164	—	—
	3,232	617	96
Net Income Before Cumulative Effect of Accounting Change	3,406	811	379
Cumulative effect of accounting change, after tax	—	(75)	—
Net Income	<u>\$3,406</u>	<u>\$ 736</u>	<u>\$ 379</u>
Earnings Per Share			
Income before discontinued DuPont activities and cumulative effect of accounting change	\$.46	\$.52	\$.76
Discontinued DuPont activities, after tax	8.67	1.66	.26
Net Income Before Cumulative Effect of Accounting Change	9.13	2.18	1.02
Cumulative effect of accounting change, after tax	—	(.20)	—
Net Income	<u>\$ 9.13</u>	<u>\$ 1.98</u>	<u>\$ 1.02</u>

Revenues and cost of revenues include excise taxes of \$812, \$836, and \$811 for the fiscal years ended January 31, 1996, 1995 and 1994, respectively.

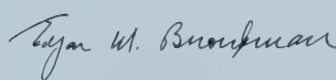
The accompanying notes are an integral part of these financial statements.

Consolidated Balance Sheet

<i>U.S. dollars in millions</i>	<i>1996</i>	<i>January 31, 1995</i>
Assets		
Current Assets		
Cash and short-term investments at cost, which approximates market	\$ 254	\$ 157
Receivables, net	2,276	1,328
Inventories	2,914	2,519
Film costs, net of amortization	510	—
Deferred income taxes	361	89
Prepaid expenses and other current assets	325	172
Total Current Assets	6,640	4,265
Common stock and warrants of DuPont	1,071	3,670
Common stock of Time Warner	2,356	2,043
Film costs, net of amortization	790	—
Artists' contracts, advances and other entertainment assets	712	—
Deferred charges and other assets	746	143
Property, plant and equipment, net	2,806	1,267
Investments in unconsolidated companies	1,936	57
Excess of cost over fair value of assets acquired	4,298	1,547
	\$21,355	\$12,992
Liabilities and Shareholders' Equity		
Current Liabilities		
Short-term borrowings and indebtedness payable within one year	\$ 936	\$ 2,475
Accrued royalties and participations	642	—
Payables and accrued liabilities	2,164	1,423
Income and other taxes	112	193
Total Current Liabilities	3,854	4,091
Long-term indebtedness	2,889	2,841
Accrued royalties and participations	404	—
Deferred income taxes	696	52
Deferred income taxes — DuPont share redemption	1,489	—
Other credits	851	488
Minority interest	1,844	11
Shareholders' Equity		
Shares without par value	709	638
Cumulative currency translation adjustments	(268)	(359)
Cumulative gain (loss) on equity securities, net of tax	407	85
Retained earnings	8,480	5,315
Total Shareholders' Equity	9,328	5,509
	\$21,355	\$12,992

The accompanying notes are an integral part of these financial statements.

Approved by the Board



Edgar M. Bronfman
Director



C.E. Medland
Director

Consolidated Statement of Cash Flows

<i>U.S. dollars in millions</i>	1996	<i>Fiscal Years Ended January 31,</i>	
		1995	1994
Operating Activities			
Income Before Discontinued DuPont Activities and Cumulative Effect of Accounting Change	\$ 174	\$ 194	\$ 283
Adjustments to Reconcile Income Before Discontinued DuPont Activities and Cumulative Effect of Accounting Change to Net Cash Provided:			
Amortization of film costs	642	—	—
Depreciation and amortization of assets	255	138	125
Amortization of excess of cost over fair value of assets acquired	113	46	41
Minority interest charged to income	22	—	—
Sundry	20	23	(5)
Changes in assets and liabilities:			
Receivables, net	(172)	(157)	(73)
Inventories	(137)	(23)	24
Prepaid expenses and other current assets	(19)	(36)	(7)
Artists' contracts, advances and other entertainment assets	74	—	—
Payables and accrued liabilities	140	363	35
Income and other taxes	(105)	38	14
Deferred income taxes	14	(114)	17
Other credits	4	47	16
	851	325	187
Net cash provided by continuing operations	1,025	519	470
Investing Activities			
Discontinued DuPont activities:			
Dividends, net of taxes paid	68	264	256
Proceeds from redemption of shares, net of taxes paid	7,729	—	—
Purchase of 80 percent interest in MCA Holding, net of acquired cash	(5,523)	—	—
Film production	(684)	—	—
Capital expenditures	(433)	(172)	(163)
Purchase of Dole juice beverage business, net of acquired cash	(273)	—	—
Purchase of Time Warner common stock	—	(474)	(1,695)
Increase in DuPont investment related to 1981 transaction	—	(162)	—
Sundry	(9)	(93)	(128)
Net cash provided by (used for) investing activities	875	(637)	(1,730)
Financing Activities			
Dividends paid	(224)	(216)	(209)
Issuance of shares upon exercise of stock options and conversion of LYONs	72	22	26
Shares purchased and retired	(18)	(23)	(61)
Increase in long-term indebtedness	214	3	605
Decrease in long-term indebtedness	(251)	(252)	(104)
(Decrease) increase in short-term borrowings and indebtedness payable within one year	(1,596)	610	1,018
Net cash (used for) provided by financing activities	(1,803)	144	1,275
Net Increase in Cash and Short-term Investments	\$ 97	\$ 26	\$ 15

The accompanying notes are an integral part of these financial statements.

Consolidated Statement of Shareholders' Equity

<i>U.S. dollars in millions</i>	<i>Shares Without Par Value</i>		<i>Cumulative Currency Translation Adjustments</i>	<i>Cumulative Gain (Loss) on Equity Securities</i>	<i>Retained Earnings</i>
	<i>Number (thousands)</i>	<i>Amount</i>			
January 31, 1993	373,690	\$ 595	\$ (369)		\$ 4,704
Fiscal year ended January 31, 1994					
Net income					379
Dividends paid (\$.56 per share)					(209)
Change in currency translation adjustments			(110)		
Change in market value of equity securities, net of \$26 tax liability				\$ 46	
Shares issued — exercise of stock options	1,115	26			
— conversion of LYONs	14	—			
Shares purchased and retired	(2,330)	(4)			(57)
January 31, 1994	372,489	617	(479)	46	4,817
Fiscal year ended January 31, 1995					
Net income before cumulative effect of accounting change					811
Cumulative effect of accounting change					(75)
Dividends paid (\$.58 per share)					(216)
Change in currency translation adjustments			120		
Change in market value of equity securities, net of \$70 tax benefit				(131)	
Shares issued — exercise of stock options	827	21			
— conversion of LYONs	31	1			
Shares purchased and retired	(810)	(1)			(22)
January 31, 1995	372,537	638	(359)	(85)	5,315
Fiscal year ended January 31, 1996					
Net income					3,406
Dividends paid (\$.60 per share)					(224)
Change in currency translation adjustments			91		
Change in market value of equity securities, net of \$265 tax liability				492	
Shares issued — exercise of stock options	2,056	57			
— conversion of LYONs	550	15			
Shares purchased and retired	(681)	(1)			(17)
January 31, 1996	<u>374,462</u>	<u>\$ 709</u>	<u>\$ (268)</u>	<u>\$ 407</u>	<u>\$ 8,480</u>

The accompanying notes are an integral part of these financial statements.

Summary of Significant Accounting Policies

The Seagram Company Ltd. operates in two global business segments: beverages and entertainment. The beverage businesses are engaged principally in the production and marketing of distilled spirits, wines, fruit juices, coolers and mixers. The entertainment company, MCA INC. ("MCA"), produces and distributes motion picture, television and home video products, and recorded music; publishes books; and operates theme parks and retail stores. The fiscal year for MCA ended on December 31, 1995, the results of which are consolidated into these financial statements from the date of acquisition, June 5, 1995.

More than 50 percent of the Company's shares are held by United States residents and, therefore, the Company has prepared its consolidated financial statements in accordance with United States generally accepted accounting principles (GAAP) which, in their application to the Company, conform in all material respects to GAAP in Canada. Differences between United States and Canadian GAAP and the magnitude thereof are discussed in Note 15. Should a material difference arise in the future, financial statements will be provided under both United States and Canadian GAAP.

Principles of Consolidation The consolidated financial statements include the accounts of The Seagram Company Ltd. and its subsidiaries. The equity method is used to account for unconsolidated affiliates owned 20 percent or more. In conformity with GAAP, management has made estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Actual results could differ from those estimates.

Foreign Currency Translation Except for operations in highly inflationary economies, all assets and liabilities of affiliates outside the United States operating in the beverages segment use the local currency as the functional currency. For affiliates in countries considered to have a highly inflationary economy, inventories and property, plant and equipment are translated at historical exchange rates and translation effects are included in net income.

Affiliates outside the United States operating in the entertainment segment use the U.S. dollar as the functional currency.

Inventories Inventories are stated at cost, which is not in excess of market, and consist principally of spirits, wines and fruit juices. The cost of spirits, wines and fruit

juices inventories is determined by either the last-in, first-out (LIFO) method or the identified cost method.

The Company's general practice is to expense, as incurred, costs associated with the ageing of spirits and wines. In accordance with industry practice, current assets include spirits and wines which, in the Company's normal business cycle, are aged for varying periods of years.

The cost of music, publishing, retail and home video inventories is determined by the first-in, first-out (FIFO) method.

Revenues and Costs

Film Generally, theatrical films are first distributed in the worldwide theatrical and home video markets. Subsequently, theatrical films are made available for worldwide pay television, network exhibition, television syndication and basic cable television. Generally, television films are first licensed for network exhibition and foreign syndication or home video, and subsequently for domestic syndication or cable television. Certain films are produced and/or distributed directly for initial exhibition by local television stations, advertiser-supported cable television, pay television and/or home video.

Revenues from the theatrical distribution of films are recognized as the films are exhibited. Revenues from television and pay television licensing agreements are recognized when the films are available for telecast. Revenues from the sale of home video product, net of provision for estimated returns and allowances, are recognized upon availability of product for retail sale.

Generally, the estimated ultimate costs of completed theatrical and television film productions (including applicable capitalized overhead) are amortized and participation expenses are accrued for each production in the proportion of revenue recognized by the Company during the year to the total estimated future revenue to be received from all sources, under the individual film forecast method. Estimated ultimate revenues and costs are reviewed quarterly and revisions to amortization rates or write-downs to net realizable value may occur.

Film costs, net of amortization, classified as current assets include the portion of unamortized costs of completed theatrical films allocated to theatrical, home video and pay television distribution markets; television films in production which are under contract of sale; and a portion of costs of completed television films. The allocated portion of released film costs expected to be realized from secondary markets or other exploitation is

reported as a noncurrent asset. Other costs relating to film production, including the purchase price of literary properties and related film development costs, and the film library are classified as noncurrent assets. Abandoned story and development costs are charged to film production overhead. Film costs are stated at the lower of unamortized cost or estimated net realizable value as periodically determined on a film-by-film basis. Approximately \$300 million of the cost of the MCA acquisition was allocated to the film library and is being amortized on a straight-line basis principally over a 20 year life.

Recorded Music and Book Publishing Revenues from the sale of recorded music and books, net of provision for estimated returns and allowances, are recognized upon shipment. Advances to established recording artists and writers and direct costs associated with the creation of record masters and books are capitalized and are charged to expense as the related royalties are earned or when the amounts are determined to be unrecoverable. The advances are expensed when past performance or current popularity does not provide a sound basis for estimating that the advance will be recouped from royalties to be earned. Approximately \$400 million of the cost of the MCA acquisition was allocated to artists' contracts, music catalogs and copyrights and is being amortized, on an accelerated basis, over a 14 to 20 year life.

Property, Plant and Equipment Property, plant and equipment is carried at cost. Depreciation is determined for financial reporting purposes using the straight-line method over estimated useful asset lives, generally at annual rates of 2–10 percent for buildings, 4–20 percent for machinery and equipment and 2–20 percent for other assets.

Amortization of Excess Cost and Other Intangible Assets The unallocated excess of cost of purchased businesses over the fair value of assets acquired, the excess of investments in unconsolidated companies over the underlying equity in tangible net assets acquired and other intangible assets are being amortized on a straight-line basis principally over 40 years from the date of acquisition. Periodic reviews for impairment of excess cost and other intangible assets are performed.

Income Taxes Deferred tax assets and liabilities are recognized based on differences between the financial statement and tax bases of assets and liabilities using

presently enacted tax rates. Deferred taxes are not provided for that portion of undistributed earnings of foreign subsidiaries which is considered to be permanently reinvested.

Benefit Plans Retirement pensions are provided for substantially all of the Company's employees through either defined benefit or defined contribution plans sponsored by the Company or unions representing employees. For Company-sponsored defined benefit plans, pension expense and plan contributions are determined by independent consulting actuaries; pension benefits under defined benefit plans generally are based on years of service and compensation levels near the end of employee service. The funding policy for tax-qualified pension plans is consistent with statutory funding requirements and regulations. Contributions to defined contribution plans are funded and expensed currently. Postretirement health care and life insurance are provided to a majority of nonunion employees in the United States. Postemployment programs, principally severance, are provided for the majority of nonunion employees. The cost of these programs are accrued based on actuarial studies. There is no advance funding for postretirement or postemployment benefits.

Stock-based Compensation Compensation cost attributable to stock option and similar plans is recognized based on the difference, if any, between the quoted market price of the stock on the date of grant over the exercise price of the option. The Company does not issue options at prices below market value at date of grant.

Financial Instruments The Company occasionally uses foreign exchange contracts to hedge a portion of its foreign indebtedness. To reduce foreign currency risk on intercompany payments, the Company hedges through currency forwards and options. Gains and losses on forward contracts are deferred and offset against foreign exchange gains and losses on the underlying hedged transaction.

Change in Fiscal Year-End The Company will change to a fiscal year ending June 30, effective June 30, 1996 and begin its first full fiscal year on the new basis on July 1, 1996.

Reclassifications Certain prior year amounts in the financial statements and notes have been reclassified to conform with the current year presentation.

Notes to Consolidated Financial Statements

Note 1 DuPont Share Redemption and Remaining DuPont Investment

On April 6, 1995, E.I. du Pont de Nemours and Company ("DuPont") redeemed 156 million shares of its common stock owned by the Company for \$8.336 billion plus the warrants described below which the Company valued as of the date of the transaction at approximately \$440 million based on a valuation methodology applicable to the warrants which incorporates the principles of the Black-Scholes model and which was utilized by the respective financial advisors to DuPont and the Company. The Company received after-tax proceeds of approximately \$7.7 billion from the transaction. The \$3.2 billion gain on the transaction is net of a \$2 billion tax provision of which \$1.5 billion is deferred. The Company has retained 8.2 million shares of DuPont common stock, which had a market value of \$631 million at January 31, 1996. The Company's investment in DuPont is equal to the market value of the retained DuPont shares at January 31, 1996 plus the warrants value described above. The underlying historical value of the remaining DuPont shares is \$187 million which represents the historical cost of the retained shares plus unremitted earnings related to those shares.

The warrants issued in the transaction allow the Company to purchase DuPont common stock as follows: 48 million shares for a sixty day period ending on October 6, 1997 at a price of \$89.33 per share; 54 million shares for a sixty day period ending on October 6, 1998 at a price of \$101.14 per share; and 54 million shares for a sixty day period ending on October 6, 1999 at a price of \$113.63 per share, subject to acceleration under certain circumstances. The warrants are subject to various other conditions.

At January 31, 1995 and 1994, the Company owned 164.2 million shares (approximately 24 percent) of the outstanding common stock of DuPont and accounted for its interest in DuPont using the equity method, whereby its proportionate share of DuPont's earnings was included in income. Financial information for DuPont for its fiscal years ended December 31, 1994 and 1993 follows.

DuPont Financial Information

<i>millions</i>	<i>Years Ended December 31,</i>	
	1994	1993
Sales and other income	\$40,259	\$37,841
Cost of goods sold and all other expenses	35,877	36,883
Provision for income taxes	1,655	392
Income before extraordinary item	2,727	566
Extraordinary charge from early extinguishment of debt	—	(11)
Net income	\$ 2,727	\$ 555
		<i>December 31,</i>
	1994	1993
Current assets	\$11,108	\$10,899
Noncurrent assets	25,784	26,154
	\$36,892	\$37,053
Current liabilities	\$ 7,565	\$ 9,439
Noncurrent liabilities	16,505	16,384
Stockholders' equity	12,822	11,230
	\$36,892	\$37,053

Note 2 Acquisition of 80 Percent Interest in MCA Holding I Corp.

On June 5, 1995, the Company completed its purchase of an 80 percent interest in MCA Holding I Corp. ("MCA Holding"), the indirect parent of MCA, from Matsushita Electric Industrial Co., Ltd. ("Matsushita") for \$5.7 billion. Matsushita retains a 20 percent interest in MCA Holding.

The acquisition has been accounted for under the purchase method of accounting. The cost of the acquisition has been allocated on the basis of the estimated fair market value of the assets acquired and liabilities assumed. This valuation resulted in \$2.7 billion of unallocated excess of cost over fair value of assets acquired which is being amortized over 40 years.

The unaudited condensed pro forma results of operations data presented below assume the MCA Holding acquisition and the redemption of 156 million shares of DuPont common stock occurred at the beginning of each period presented. The unaudited condensed pro forma results of operations data were prepared based upon the historical consolidated statements of operations of the Company for the fiscal years ended January 31, 1996 and 1995, and of MCA Holding for the five months ended May 31, 1995 and the twelve months

ended December 31, 1994, adjusted to reflect purchase accounting. Financial results for MCA Holding for the seven month period June 1995 through December 1995 were included in the Company's results for the fiscal year ended January 31, 1996. The unaudited pro forma information is not necessarily indicative of the combined results of operations of the Company and MCA Holding that would have resulted if the transactions had occurred on the dates previously indicated, nor is it necessarily indicative of future operating results of the Company.

Pro Forma Income Statement Data

<i>millions, except per share amounts (unaudited)</i>	<i>Fiscal year ended January 31,</i>	
	1996	1995
Revenues	\$11,667	\$11,217
Net income before cumulative effect of accounting change	\$ 154	\$ 346
Cumulative effect of accounting change	—	(75)
Net income	\$ 154	\$ 271
Per share data:		
Net income before cumulative effect of accounting change	\$.41	\$.93
Cumulative effect of accounting change	—	(.20)
Net income	\$.41	\$.73

The above pro forma presentation excludes the \$3.2 billion after-tax gain on the redemption of the DuPont shares.

Note 3 Acquisition of the Juice Beverage Business of the Dole Food Company, Inc. ("Dole")

On May 19, 1995, the Company acquired the worldwide juice and juice beverage business of Dole for \$276 million. The transaction excluded Dole's canned pineapple juice business. The reported operating results for the fiscal year ended January 31, 1996 reflect the results of operations of the acquired business from the acquisition date. The acquisition has been accounted for under the purchase method of accounting. The cost of the acquisition has been allocated on the basis of the estimated fair market value of the assets acquired and liabilities assumed. This valuation resulted in \$128 million of unallocated excess cost over fair value of assets acquired which is being amortized

over 40 years. The impact of this acquisition was not material to the consolidated results of the Company.

Note 4 Investment in Time Warner Inc. ("Time Warner")

At January 31, 1996, the Company owned 56.8 million shares or 14.7 percent of the outstanding common stock of Time Warner. The Company accounts for the investment at market value. The total cost of this investment was \$2.17 billion.

Note 5 Investments in Unconsolidated Companies

The Company has a number of investments in unconsolidated companies which are 50 percent or less owned or controlled and are carried in the consolidated balance sheet on the equity method.

Entertainment Segment Significant investments at January 31, 1996 include USA Networks, owner of three advertiser-supported cable television services, USA Network, the Sci-Fi Channel, and Sci-Fi Europe (50 percent owned); Cineplex Odeon Corporation, primarily engaged in theatrical exhibition of motion pictures in the U.S. and Canada (43 percent equity interest); United International Pictures, a distributor of theatrical and pay television product outside the U.S. and Canada (33 percent owned); Cinema International BV, primarily engaged in marketing of home video product outside the U.S. and Canada (49 percent owned); Cinema International Corporation and United Cinemas International, both engaged in theatrical exhibition of motion pictures in territories outside the U.S. and Canada (49 percent owned); Universal City Florida Partners, which owns Universal Studios Florida, a motion picture and television themed tourist attraction and production facility in Orlando, Florida (50 percent owned); Universal City Development Partners, which has begun development on land adjacent to Universal Studios Florida of an additional themed tourist attraction and commercial real estate (50 percent owned).

Beverages Segment Significant investments at January 31, 1996 include Doosan Seagram Co., Ltd., which is engaged in the production and marketing of whisky products in South Korea (50 percent owned); Seagram (Thailand) Limited, an importer and distributor

of spirits and wines (49 percent owned); Kirin-Seagram Limited, engaged in the manufacture, sale and distribution of distilled beverage alcohol and wines in Japan (50 percent owned); and Kirin-Tropicana Inc., engaged in the manufacture, sale and distribution, import and export of fruit juice beverages (50 percent owned).

Summarized financial information, derived from unaudited historical financial information, is presented below for the Company's investments in unconsolidated companies.

Summarized Balance Sheet Information

<i>millions</i>	<i>January 31, 1996</i>
Current assets	\$1,102
Noncurrent assets	2,219
Total assets	\$3,321
Current liabilities	\$ 920
Noncurrent liabilities	1,254
Equity	1,147
Total liabilities and equity	\$3,321
Proportionate share of net assets of unconsolidated companies	\$ 549

Summarized Statement of Operations

<i>millions</i>	<i>Fiscal year ended January 31, 1996</i>
Revenues	\$2,851
Earnings before interest and taxes	214
Net income	137

The Company's operating income includes \$72 million in equity in the earnings of unconsolidated companies for the fiscal year ended January 31, 1996, principally in the entertainment segment.

Note 6 Credit Arrangements and Long-Term Indebtedness

At January 31, 1996, short-term borrowings comprised \$282 million of bank borrowings and \$601 million of commercial paper, bearing interest at market rates. The Company's unused lines of credit totaled \$4 billion and have varying terms of up to five years. A portion of these lines of credit support outstanding commercial paper.

Long-Term Indebtedness

<i>millions</i>	<i>1996</i>	<i>January 31, 1995</i>
9% Debentures due December 15, 1998 (C\$200 million)*	\$ 156	\$ 156
Unsecured term bank loans, due November 18, 1996 to November 19, 1999, with a weighted average interest rate of 4.78%	267	—
9¾% Guaranteed Notes due June 15, 2000	249	249
6.5% Debentures due April 1, 2003	200	200
Liquid Yield Option Notes due March 5, 2006	18	29
8.35% Debentures due November 15, 2006	200	200
8¼% Guaranteed Debentures due February 15, 2007	200	200
7% Guaranteed Debentures due April 15, 2008	200	200
8¾% Guaranteed Debentures due September 15, 2011	223	223
12¾% Debentures due October 31, 2012 (£50 million)	76	79
9.65% Guaranteed Debentures due August 15, 2018	249	249
9% Guaranteed Debentures due August 15, 2021	198	198
8.35% Debentures due January 15, 2022	199	199
6.875% Debentures due September 1, 2023	200	200
6% Swiss Franc Bonds due September 30, 2085 (SF 250 million)	206	195
7.83% Guaranteed Notes	—	249
9.65% Guaranteed Notes	—	250
Sundry	101	19
	2,942	3,095
Indebtedness payable within one year	(53)	(254)
	\$2,889	\$2,841

*All principal and interest payments for these 9% Debentures were converted at issuance through a series of currency exchange contracts from Canadian dollars to U.S. dollars with an effective interest rate of 7.7%.

Joseph E. Seagram & Sons, Inc. ("JES"), the Company's U.S. spirits and wine subsidiary, has outstanding Liquid Yield Option Notes (LYONs), which are zero coupon notes with no interest payments due until maturity on March 5, 2006. Each \$1,000 face amount LYON may be converted, at the holder's option, into 18.44 of the Company's common shares (705,774 shares at January 31, 1996). The Company has guaranteed the LYONs on a subordinated basis.

In addition, the Company has unconditionally guaranteed JES's 9¾ percent Notes due June 15, 2000, 8¾ percent Debentures due February 15, 2007, 7 percent Debentures due April 15, 2008, 8¾ percent Debentures due September 15, 2011, 9.65 percent Debentures due August 15, 2018 and 9 percent Debentures due August 15, 2021.

Options on interest rate swaps relating to the \$249 million 9¾ percent Notes due June 15, 2000 have been sold which, if exercised, would result in the Company calling the Notes in 1996. The income resulting from the sale of the swap option is being amortized over the life of the agreement.

Interest expense on long-term indebtedness was \$236 million, \$246 million and \$269 million in the fiscal years ended January 31, 1996, 1995 and 1994, respectively. Annual repayments and redemptions of long-term indebtedness for the five years subsequent to January 31, 1996 are: 1997—\$53 million; 1998—\$84 million; 1999—\$330 million; 2000—\$35 million; and 2001—\$252 million.

Summarized below is the JES financial information:

<i>millions</i>	1996	<i>Fiscal Years Ended January 31,</i>	
		1995	1994
Revenues	\$ 4,031	\$ 4,566	\$ 3,787
Cost of revenues	2,976	3,125	2,405
Income before discontinued DuPont activities and cumulative effect of accounting change	43	60	100
Discontinued DuPont activities	3,232	617	96
Cumulative effect of accounting change	—	(56)	—
Net income	\$ 3,275	\$ 621	\$ 196

	1996	<i>January 31,</i> 1995
Current assets	\$ 1,412	\$ 2,313
Noncurrent assets	11,442	8,688
	\$12,854	\$11,001
Current liabilities	\$ 720	\$ 2,549
Noncurrent liabilities	3,357	2,478
Shareholder's equity	8,777	5,974
	\$12,854	\$11,001

Note 7 Financial Instruments

The Company selectively uses foreign currency forward and option contracts to offset the effects of exchange rate changes on cash flow exposures denominated in foreign currencies. These exposures include intercompany trade accounts, service fees, intercompany loans and third party debt. The Company does not use derivative financial instruments for trading or speculative purposes.

The notional amount of forward exchange contracts and options is the amount of foreign currency bought or sold at maturity and is not a measure of the Company's exposure through its use of derivatives.

At January 31, 1996, the Company held foreign currency forward contracts to purchase and sell foreign currencies, including cross-currency contracts to sell one foreign currency for another currency, with notional amounts totalling \$454 million. The notional amounts of these contracts, which mature at various dates through December, 1998, are summarized below:

<i>millions</i>	Buy	Sell
Canadian Dollar	\$185	\$ —
French Franc	28	90
British Pound	—	65
U.S. Dollar	—	40
Spanish Peseta	—	15
Italian Lira	7	17
Other currencies	—	7
	\$220	\$234

The Company minimizes its credit exposure to counterparties by entering into contracts only with highly rated commercial banks or financial institutions and by distributing the transactions among the selected institutions. Although the Company's credit risk is the replacement cost at the then estimated fair value of the instrument, management believes that the risk of incurring losses is remote and that such losses, if any, would not be material. The market risk related to the foreign exchange agreements should be offset by changes in the valuation of the underlying items being hedged.

Fair Value of Financial Instruments

The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments.

Cash and short-term investments The carrying amount reported in the balance sheet for cash and short-term investments approximates their fair value.

Foreign currency exchange contracts The fair value of forward exchange contracts is based on quoted market prices from banks.

Short- and long-term debt The carrying amounts of commercial paper and short-term bank loans approximate their fair value. The fair value of the Company's long-term debt is estimated based on the quoted market prices for similar issues.

	January 31, 1996	
	Carrying Amount	Fair Value
Cash and short-term investments	\$ 254	\$ 254
Foreign currency exchange contracts	—	(21)
Short-term debt	936	936
Long-term debt	2,889	3,237

Note 8 Common Shares, Earnings Per Share and Stock Options

The Company is authorized to issue an unlimited number of common shares without nominal or par value.

At January 31, 1996, 23,706,929 common shares were potentially issuable upon the conversion of the LYONs described in Note 6 and the exercise of employee stock options. The dilutive effect on earnings per share from the assumed issuance of these shares would be less than three percent. Net income per share was based on the following weighted average number of shares outstanding during the fiscal year ended January 31, 1996—373,116,794; 1995—372,499,060; and 1994—373,050,863.

Under the Company's employee stock option plans, options may be granted to purchase the Company's common shares at not less than the fair market value of the shares on the date of the grant. The options generally become exercisable one year from and expire ten years after the grant date.

Stock Option Activity

	1996	Fiscal Years Ended January 31,	
		1995	1994
Options outstanding at the beginning of the year	18,904,802	16,274,027	12,226,342
Granted	6,293,023	3,677,695	5,403,425
Average grant price	\$31.94	\$30.56	\$27.42
Exercised	(2,055,830)	(827,040)	(1,115,300)
Average exercise price	\$24.37	\$23.42	\$19.69
Cancelled	(140,840)	(219,880)	(240,440)
Options outstanding at the end of the year	23,001,155	18,904,802	16,274,027
Average exercise price	\$27.45	\$25.59	\$24.40
Options exercisable at the end of the year	16,118,472	13,636,087	10,680,802
Shares reserved for future option grants	7,069,377	13,221,560	16,679,375

Note 9 Income Taxes

The following tables summarize the sources of pretax income and the resulting income tax expense.

Geographic Components of Pretax Income

	Fiscal Years Ended January 31,		
millions	1996	1995	1994
United States	\$ 82	\$ (24)	\$ (22)
Canada	17	15	37
Other jurisdictions	250	372	420
Income before minority interest and discontinued DuPont activities	349	363	435
Discontinued DuPont activities	5,283	637	114
Income before minority interest	\$5,632	\$1,000	\$549

Components of Income Tax Expense

<i>millions</i>	<i>Fiscal Years Ended January 31,</i>		
	1996	1995	1994
Income tax expense applicable to:			
Continuing operations	\$ 153	\$ 104	\$ 152
1981 transaction*	—	65	—
Discontinued DuPont activities	2,051	20	19
Total income tax expense	<u>\$2,204</u>	<u>\$ 189</u>	<u>\$171</u>

*The 1981 transaction relates to a loss disallowed by the U.S. Tax Court on the exchange of common stock of Conoco Inc. for DuPont.

Current			
Continuing operations			
Federal	\$ 26	\$ (12)	\$ (34)
State and local taxes	19	—	—
1981 transaction	—	188	—
Other jurisdictions	94	107	169
	<u>139</u>	<u>283</u>	<u>135</u>
Discontinued DuPont activities	612	20	19
	<u>751</u>	<u>303</u>	<u>154</u>
Deferred			
Continuing operations			
Federal	39	4	34
State and local	(2)	—	—
1981 transaction	—	(123)	—
Other jurisdictions	(23)	5	(17)
	<u>14</u>	<u>(114)</u>	<u>17</u>
Discontinued DuPont activities	1,439	—	—
	<u>1,453</u>	<u>(114)</u>	<u>17</u>
Total income tax expense	<u>\$2,204</u>	<u>\$ 189</u>	<u>\$ 171</u>

Components of Net Deferred Tax Liability (Asset)

<i>millions</i>	<i>January 31,</i>	
	1996	1995
Basis and amortization differences	\$ 428	\$106
DuPont share redemption	1,489	—
Time Warner and DuPont investments	220	6
Unremitted foreign earnings	17	—
Other, net	80	11
Deferred tax liabilities	<u>2,234</u>	<u>123</u>
Employee benefits	(101)	(92)
Tax credit carryovers	(150)	—
Valuation, doubtful accounts and return reserves	(269)	(8)
Other, net	(24)	(60)
Deferred tax assets	<u>(544)</u>	<u>(160)</u>
Valuation allowance	134	—
	<u>(410)</u>	<u>(160)</u>
Net deferred tax liability (asset)	<u>\$1,824</u>	<u>\$ (37)</u>

The valuation allowance arises from uncertainty as to the realization of certain U.S. tax credit carryforwards. At January 31, 1996, there were \$133 million of tax credit

carryforwards with expiration dates through 2005 and \$17 million of tax credit carryforwards with no expiration. The \$134 million valuation allowance relates to tax carryforwards that existed at the date of the MCA acquisition. If realized, these benefits would be applied to reduce the MCA unallocated excess purchase price.

Effective Income Tax Rate—Continuing Operations

	<i>Fiscal Years Ended January 31,</i>		
	1996	1995	1994
United States statutory rate	35%	35%	35%
1981 transaction	—	18	—
State and local taxes	3	—	—
Dividends received deduction	(3)	(3)	(1)
Goodwill amortization	11	4	3
Other jurisdictions	(2)	(7)	(2)
Effective income tax rate — continuing operations	<u>44%</u>	<u>47%</u>	<u>35%</u>

Various taxation authorities have proposed or levied assessments for additional income taxes of prior years. Management believes that settlements will not have a material effect on the results of operations, financial position or liquidity of the Company.

Note 10 Benefit Plans

Pension

Pension costs were \$45 million, \$24 million and \$26 million for the fiscal years ended January 31, 1996, 1995 and 1994, respectively.

The Company has defined benefit pension plans which cover certain U.S. employees. The net cost of the Company's U.S. pension plans was based on an expected long-term return on plan assets of 10.75 percent for each of the fiscal years ended January 31, 1996, 1995 and 1994. Discount rates of 7.0 percent and 8.75 percent were used in determining the actuarial present value of the projected benefit obligation at January 31, 1996 and 1995, respectively. The assumed rates of increase in future compensation levels were 4.5 percent to 5.5 percent for the fiscal year ended January 31, 1996, and six percent to seven percent for the fiscal year ended January 31, 1995. Plans outside the United States used assumptions in determining the actuarial present value of projected benefit obligations that reflect the economic environments within the various countries, and therefore are consistent with (but not identical to) those of the U.S. plans.

The majority of the pension arrangements for the Company's employees of affiliates outside the United States, the United Kingdom and Canada are either insured or government sponsored. In the United Kingdom and Canada where defined benefit plans exist, the net periodic pension cost was \$6 million for each of the fiscal years ended January 31, 1996, 1995 and 1994. At January 31, 1996, the present value of these plans' projected benefit obligation was \$247 million, \$234 million of which was for vested benefits; the fair value of plan assets in the United Kingdom and Canada was \$264 million.

Net Cost of U.S. Defined Benefit Pension Plans

	<i>Fiscal Years Ended January 31,</i>		
	1996	1995	1994
Service cost—benefits earned during the period	\$ 17	\$ 18	\$ 16
Interest cost on Projected Benefit Obligation	52	47	46
Return on plan assets			
Actual loss (gain)	(204)	11	(90)
Deferred actuarial (loss) gain	147	(75)	32
Net amortization	4	4	4
Net pension cost	<u>\$ 16</u>	<u>\$ 5</u>	<u>\$ 8</u>

Status of U.S. Defined Benefit Pension Plans

	<i>January 31, 1996</i>		<i>January 31, 1995</i>	
	<i>Assets Exceed Accumulated Benefits</i>	<i>Accumulated Benefits Exceed Assets</i>	<i>Assets Exceed Accumulated Benefits</i>	<i>Accumulated Benefits Exceed Assets</i>
Actuarial present value of				
Vested Benefit Obligation	\$ (532)	\$ (82)	\$ (424)	\$ (60)
Accumulated Benefit Obligation	\$ (559)	\$ (84)	\$ (444)	\$ (63)
Projected Benefit Obligation	\$ (648)	\$ (110)	\$ (522)	\$ (89)
Plan assets at fair value, principally equity securities	715	—	547	—
Assets in excess of (less than) Projected Benefit Obligation	67	(110)	25	(89)
Deferred net actuarial (gain) loss	(20)	46	28	34
Unamortized prior service cost	6	6	2	7
Unamortized transition obligation (asset)	—	3	(1)	4
Recognition of minimum liability	—	(30)	—	(19)
Prepaid (accrued) pension cost	<u>\$ 53</u>	<u>\$ (85)</u>	<u>\$ 54</u>	<u>\$ (63)</u>

The Company has defined contribution plans covering certain U.S. employees. Contributions made to these plans are included in consolidated pension costs of \$45 million for the fiscal year ended January 31, 1996.

Postretirement

The Company provides retiree health care and life insurance benefits covering certain retirees. Certain United States salaried and certain hourly employees are eligible for benefits upon retirement and completion of a specified number of years of service.

The components of net periodic postretirement benefit cost are as follows:

	<i>Fiscal Years Ended January 31,</i>		
<i>millions</i>	1996	1995	1994
Service cost—benefits earned during the period	\$ 3	\$ 3	\$ 5
Interest cost on accumulated postretirement benefit obligation	14	11	13
Amortization of prior service cost	(4)	(4)	(1)
Net postretirement benefit cost	<u>\$13</u>	<u>\$10</u>	<u>\$17</u>

The accumulated postretirement benefit obligation, included in Other Credits in the accompanying balance sheet, comprises the following:

	<i>Fiscal Years Ended January 31,</i>	
<i>millions</i>	1996	1995
Retirees	\$132	\$ 85
Fully eligible active plan participants	27	25
Other active plan participants	50	36
Unrecognized:		
Actuarial (Loss) Gain	(11)	16
Prior Service Cost	39	43
Accrued postretirement benefit obligation	<u>\$237</u>	<u>\$205</u>

Future benefit costs were estimated assuming medical costs would increase at an 8.8 percent annual rate, decreasing to a 5.5 percent annual growth rate ratably over the next seven years, and then remaining at a 5.5 percent growth rate thereafter. A one-percentage-point increase in this annual trend rate would have increased the postretirement benefit obligation at January 31, 1996 by \$11 million (\$7 million after tax), with an increase in pretax expense of \$1 million for the fiscal year ended January 31, 1996. The weighted average discount rate used to estimate the accumulated postretirement benefit obligation was 7.0 percent and 8.75 percent at January 31, 1996 and 1995, respectively.

Postemployment

The Company adopted Financial Accounting Standards No. 112, "Employers' Accounting for Postemployment Benefits" (FAS 112), in the first quarter of the fiscal year ended January 31, 1995, resulting in a \$75 million charge, net of \$40 million of deferred tax benefit.

FAS 112 requires that the expected cost of postemployment benefits be recognized when they are earned rather than when they are paid. The postemployment obligation has been increased to reflect the reengineering activities described in Note 12.

Note 11 Business Segment and Geographic Data

The operating results of the Company's Beverages segment were previously reported in two segments: Spirits and Wine, and Fruit Juices, Coolers and Mixers. These operations have been combined in the table below in the Beverages segment. Prior year amounts have been reclassified for comparative purposes.

Business Segment Data

<i>millions</i>	<i>Beverages</i>	<i>Enter- tainment</i>	<i>Corporate⁽¹⁾</i>	<i>Total</i>
January 31, 1996				
Revenues	\$6,694	\$ 3,053	\$ —	\$ 9,747
Depreciation and amortization of assets	154	97	4	255
Amortization of goodwill	51	62	—	113
Operating income (expense)	456 ⁽²⁾	205	(77)	584
Identifiable assets	7,603	9,997	3,755	21,355
Capital expenditures	257	175	1	433
January 31, 1995				
Revenues	\$6,399		\$ —	\$ 6,399
Depreciation and amortization of assets	134		4	138
Amortization of goodwill	46		—	46
Operating income (expense)	781		(56)	725
Identifiable assets	7,028		5,964	12,992
Capital expenditures	156		16	172
January 31, 1994				
Revenues	\$6,038		\$ —	\$ 6,038
Depreciation and amortization of assets	122		3	125
Amortization of goodwill	41		—	41
Operating income (expense)	774		(20)	754
Identifiable assets	6,584		5,134	11,718
Capital expenditures	162		1	163

⁽¹⁾ Includes (i) corporate expenses and assets not identifiable with either business segment, and (ii) DuPont and Time Warner holdings, which represented 91%, 96% and 96% of corporate assets at January 31, 1996, 1995 and 1994, respectively.

⁽²⁾ Includes a \$290 charge related to reengineering activities.

Geographic Data

<i>millions</i>	<i>Sales and Other Income⁽¹⁾</i>			
	<i>Unrelated Parties</i>	<i>Inter- company</i>	<i>Operating Income</i>	<i>To Assets</i>
January 31, 1996				
United States	\$ 5,185	\$ 167	\$ 131	\$12,171
Europe	3,026	464	281	4,574
Asia Pacific and Latin America	1,275	29	39	798
Canada	261	212	133	385
	\$ 9,747	\$ 872	\$ 584	\$17,928
January 31, 1995				
United States	\$ 2,818	\$ 112	\$ 160	\$ 2,510
Europe	2,254	400	365	3,749
Asia Pacific and Latin America	1,190	30	58	783
Canada	137	207	142	237
	\$ 6,399	\$ 749	\$ 725	\$ 7,279
January 31, 1994				
United States	\$ 2,575	\$ 91	\$ 108	\$ 2,452
Europe	2,188	334	411	3,372
Asia Pacific and Latin America	1,129	25	83	714
Canada	146	220	152	257
	\$ 6,038	\$ 670	\$ 754	\$ 6,795

⁽¹⁾ Sales are classified based upon the location of the legal entity which invoices the customer rather than the location of the customer. Sales among geographic areas include intercompany transactions on a current market price basis.

Excludes DuPont and Time Warner holdings.

Note 12 Reengineering Activities

In connection with a program to better position its beverage operations to achieve its strategic growth objectives, the Company recorded a pretax charge of \$290 million in the quarter ended October 31, 1995.

The charge related principally to the Company's global spirits and wine manufacturing, financial, marketing and distribution systems and includes rationalization of facilities in the United States and Europe and other costs related to the redesign of processes associated with the fulfillment of customer orders and the organizational structure under which the spirits and wine business operates. The components of the \$290 million charge reflect approximately a \$100 million provision for severance costs, \$120 million for asset write-downs/impairments and \$70 million for facility rationalization, including lease terminations, and other reengineering programs.

Note 13 Additional Financial Information

Income Statement and Cash Flow Data

<i>millions</i>	<i>Fiscal Years Ended January 31,</i>		
	1996	1995	1994
Interest, Net and Other			
Interest expense	\$ 378	\$408	\$351
Capitalized interest	(3)	(2)	(1)
Interest income	(102)	(10)	(11)
Dividend income	(38)	(34)	(20)
	<u>\$ 235</u>	<u>\$362</u>	<u>\$319</u>
Cash Flow Data			
Interest paid, net	\$ 262	\$361	\$346
Income taxes paid	<u>\$1,083</u>	<u>\$101</u>	<u>\$122</u>

Balance Sheet Data

<i>millions</i>	<i>January 31,</i>	
	1996	1995
Receivables		
Trade	\$2,496	\$1,292
Other	63	89
	<u>2,559</u>	<u>1,381</u>
Allowance for doubtful accounts and other valuation accounts	(283)	(53)
	<u>\$2,276</u>	<u>\$1,328</u>
Inventories		
Beverages	\$2,600	\$2,398
Materials, supplies and other	314	121
	<u>\$2,914</u>	<u>\$2,519</u>
LIFO Inventories		
Estimated replacement cost	\$ 473	\$ 492
Excess of replacement cost over LIFO carrying value	(180)	(189)
	<u>\$ 293</u>	<u>\$ 303</u>
Film Costs, Net of Amortization		
Theatrical Film Costs		
Released	\$ 588	
In process and unreleased	295	
	<u>883</u>	
Television Film Costs		
Released	391	
In process and unreleased	26	
	<u>417</u>	
Total Film Costs	<u>\$1,300</u>	

Unamortized costs related to released theatrical and television films aggregated \$979 million at January 31, 1996. Excluding the portion of the purchase price allocated to the film library which is being amortized over a 20 year life, the Company currently anticipates that approximately 85 percent of the unamortized released film costs will be amortized under the individual film forecast method during the three years ending January 31, 1999.

<i>millions</i>	1996	January 31, 1995
Property, Plant and Equipment		
Land	\$ 528	\$ 137
Buildings	1,167	505
Machinery and equipment	975	805
Furniture and fixtures	355	137
Other, including construction in progress	837	541
	3,862	2,125
Accumulated depreciation	(1,056)	(858)
	\$2,806	\$1,267
Payables and Accrued Liabilities		
Trade	\$ 596	\$ 429
Other	1,568	994
	\$2,164	\$1,423

Note 14 **Commitments and Contingencies**

The Company has various commitments for the purchase or construction of property, plant and equipment, materials, supplies and items of investment related to the ordinary conduct of business.

The Company is involved in various lawsuits, claims and inquiries. Management believes that the resolution of these matters will not have a material adverse effect on the results of operations, financial position or liquidity of the Company.

Note 15 **Differences Between**

United States and Canadian Generally Accepted Accounting Principles

Differences between United States and Canadian GAAP for these financial statements are:

- (i) The common stock in DuPont and Time Warner would be carried at cost under Canadian GAAP, thereby reducing shareholders' equity by \$407 million or four percent at January 31, 1996. There is no effect on net income.
- (ii) The deferred tax liability at January 31, 1996 under Canadian GAAP would be approximately \$100 million lower and shareholders' equity \$100 million higher. (A draft accounting standard has been issued in Canada which, if adopted, will eliminate this difference.)
- (iii) Proportionate consolidation of joint ventures under Canadian GAAP would increase assets and liabilities by approximately \$800 million and increase working capital by approximately \$100 million at January 31, 1996. There is no effect on net income.
- (iv) The cumulative effect of the accounting change in the fiscal year ended January 31, 1995 would be excluded from net income and taken directly to retained earnings under Canadian GAAP.
- (v) Other differences between United States and Canadian GAAP are *de minimis*.

Management's Report

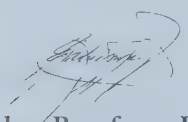
The Company's management is responsible for the preparation of the accompanying financial statements in accordance with generally accepted accounting principles, including the estimates and judgments required for such preparation.

The Company has a system of internal accounting controls designed to provide reasonable assurance that assets are safeguarded and financial records underlying the financial statements properly reflect all transactions. The system contains self-monitoring mechanisms, including a program of internal audits, which allow management to be reasonably confident that such controls, as well as the Company's administrative procedures and internal reporting requirements, operate effectively. Management believes that its long-standing emphasis on the highest standards of conduct and business ethics, as set forth in written policy statements, serves to reinforce the system of internal accounting controls. There are inherent limitations in the effectiveness of any system of internal control, including the possibility of human error

or the circumvention or overriding of controls. Accordingly, even an effective internal control system can provide only reasonable assurance with respect to financial statement preparation.

The Company's independent auditors, Price Waterhouse, review the system of internal accounting controls to the extent they consider necessary to evaluate the system as required by generally accepted auditing standards. Their report covering their examinations of the financial statements is presented below.

The Audit Committee of the Board of Directors, solely comprising Directors who are not officers or employees of the Company, meets with the independent auditors, the internal auditors and management to ensure that each is discharging its respective responsibilities relating to the financial statements. The independent auditors and the internal auditors have direct access to the Audit Committee to discuss, without management present, the results of their audit work and any matters they believe should be brought to the Committee's attention.



Edgar Bronfman, Jr.
*President and
Chief Executive Officer*



Robert W. Matschullat
*Vice Chairman and
Chief Financial Officer*

March 13, 1996



Edward Falkenberg
Vice President and Controller

Auditors' Report

To the Shareholders of The Seagram Company Ltd.

We have audited the consolidated balance sheet of The Seagram Company Ltd. as at January 31, 1996 and 1995 and the consolidated statements of income, shareholders' equity and cash flows for each of the fiscal years ended January 31, 1996, 1995 and 1994. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in the United States of America and Canada. Those standards require that we plan and perform an audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at January 31, 1996 and 1995 and the results of its operations and its cash flows for each of the fiscal years ended January 31, 1996, 1995 and 1994, in accordance with generally accepted accounting principles in the United States of America which, in their application to the Company, conform in all material respects with generally accepted accounting principles in Canada.

The Company changed its accounting for postemployment benefits other than pensions, under generally accepted accounting principles in the United States of America, during the fiscal year ended January 31, 1995, as described in Note 10.



Price Waterhouse
*Montreal, Canada
March 13, 1996*

Quarterly Data

U.S. dollars in millions, except per share amounts (unaudited)

	1995	1994	1995	1994
Revenues	\$1,282	\$1,211	\$1,883	\$1,448
Operating income	150	162	179	144
Income before discontinued DuPont activities	59	52	89	44
Discontinued DuPont activities, after tax	3,232	145	—	180
Net income before cumulative effect of accounting change	3,291	197	89	224
Cumulative effect of accounting change	—	(75)	—	—
Net Income	<u>\$3,291</u>	<u>\$ 122</u>	<u>\$ 89</u>	<u>\$ 224</u>
Income Per Share				
Income before discontinued DuPont activities	\$.16	\$.14	\$.24	\$.11
Discontinued DuPont activities, after tax	8.67	.39	—	.48
Net income before cumulative effect of accounting change	\$ 8.83	\$.53	\$.24	\$.60
Cumulative effect of accounting change	—	(.20)	—	—
Net Income	<u>\$ 8.83</u>	<u>\$.33</u>	<u>\$.24</u>	<u>\$.60</u>

	1995*	1994	1996	1995
Revenues	\$2,917	\$1,113	\$3,665	\$2,227
Operating income	21	166	234	253
(Loss) Income before discontinued DuPont activities	(55)	52	81	46
Discontinued DuPont activities, after tax	—	147	—	145
Net (Loss) Income	<u>\$ (55)</u>	<u>\$ 199</u>	<u>\$ 81</u>	<u>\$ 191</u>
Income Per Share				
(Loss) Income before discontinued DuPont activities	\$ (.15)	\$.14	\$.21	\$.12
Discontinued DuPont activities, after tax	—	.39	—	.49
Net (Loss) Income	<u>\$ (.15)</u>	<u>\$.53</u>	<u>\$.21</u>	<u>\$.61</u>

*Includes a \$290 million pretax charge for reengineering activities.

Financial Summary

U.S. dollars in millions, except per share amounts

	1996	1995	1994
Income Statement			
Revenues	\$ 9,747	\$ 6,399	\$ 6,038
Gain (loss) on divestitures, net	—	—	—
Operating income	584	725	754
Interest, net and other	235	362	319
After-Tax Income			
Income before discontinued DuPont activities and cumulative effect of accounting change	174	194	283
Discontinued DuPont activities	3,232	617	96
Net Income Before Cumulative Effect of Accounting Change	3,406	811	379
Cumulative effect of accounting change, after tax	—	(75)	—
Net Income (Loss)	\$ 3,406	\$ 736	\$ 379
Financial Position			
Current assets	\$ 6,640	\$ 4,265	\$ 3,794
Common stock of DuPont*	1,071	3,670	3,154
Common stock of Time Warner	2,356	2,043	1,769
Other noncurrent assets	11,288	3,014	3,001
Total assets	21,355	12,992	11,718
Current liabilities	3,854	4,091	2,996
Long-term indebtedness	2,889	2,841	3,053
Total liabilities	10,183	7,472	6,717
Minority interest	1,844	11	—
Shareholders' equity	9,328	5,509	5,001
Total liabilities and shareholders' equity	21,355	12,992	11,718
Cash Flow Data			
Cash flow from continuing operations	1,025	519	470
Capital expenditures	(433)	(172)	(163)
Other investing activities, net	1,308	(465)	(1,567)
Dividends paid	(224)	(216)	(209)
Per Share Data			
Continuing operations	\$.46	\$.52	\$.76
Discontinued DuPont activities	8.67	1.66	.26
Net Income Before Cumulative Effect of Accounting Change	9.13	2.18	1.02
Cumulative effect of accounting change, after tax	—	(.20)	—
Net Income (Loss)	\$ 9.13	\$ 1.98	\$ 1.02
Dividends paid	\$.60	\$.58	\$.56
Shareholders' equity	24.91	14.79	13.43
End-of-year share price			
New York Stock Exchange	36.38	28.75	30.75
Canadian Stock Exchanges	C\$ 49.75	C\$ 40.50	C\$ 40.63
Average shares outstanding (thousands)	373,117	372,499	373,051
Shares outstanding at year-end (thousands)	374,462	372,537	372,489

*Includes warrants at January 31, 1996

*Fiscal Years Ended January 31,
1987*

1983	1992	1991	1990	1989	1988	1987
\$ 6,101	\$ 6,345	\$ 6,127	\$ 5,582	\$ 5,056	\$ 3,815	\$ 3,345
—	201	—	—	—	—	(35)
762	961	708	574	425	286	193
312	320	325	289	229	71	81
293	430	241	171	125	151	177
181	297	515	540	464	370	325
474	727	756	711	589	521	477
(1,374)	—	—	—	—	—	—
\$ (900)	\$ 727	\$ 756	\$ 711	\$ 589	\$ 521	\$ 477
\$ 3,836	\$ 4,327	\$ 3,970	\$ 3,289	\$ 3,182	\$ 2,950	\$ 2,900
3,315	4,566	4,504	4,216	3,879	3,587	3,400
—	—	—	—	—	—	—
2,953	2,983	3,003	2,708	2,636	1,006	1,003
10,104	11,876	11,477	10,213	9,697	7,543	6,888
2,003	1,896	3,130	2,491	1,994	1,394	1,000
2,559	3,013	2,038	2,011	2,330	1,058	1,000
5,174	5,393	5,525	4,856	4,723	3,086	2,800
—	—	—	—	—	—	—
4,930	6,483	5,952	5,357	4,974	4,457	3,888
10,104	11,876	11,477	10,213	9,697	7,543	6,888
310	543	(28)	71	101	(59)	25
(168)	(215)	(309)	(206)	(142)	(89)	(106)
184	190	168	238	(1,768)	196	126
(205)	(189)	(174)	(135)	(113)	(100)	(90)
\$.78	\$ 1.14	\$.64	\$.44	\$.33	\$.39	\$.28
.48	.78	1.37	1.40	1.20	.97	.83
1.26	1.92	2.01	1.84	1.53	1.36	1.11
(3.64)	—	—	—	—	—	—
\$ (2.38)	\$ 1.92	\$ 2.01	\$ 1.84	\$ 1.53	\$ 1.36	\$ 1.11
\$.545	\$.50	\$.463	\$.35	\$.294	\$.263	\$.238
13.19	17.08	15.87	14.03	12.66	11.76	10.36
25.13	29.94	22.25	18.72	17.78	13.78	16.78
C\$ 32.00	C\$ 35.06	C\$ 25.81	C\$ 22.22	C\$ 21.13	C\$ 17.50	C\$ 22.41
375,871	378,839	376,664	385,524	385,460	381,912	380,448
373,690	379,480	374,972	381,820	392,856	379,144	381,980

Eight Decades of Growth

1920s

Canada

1924 Formed Distillers Corporation Limited
1928 Acquired Joseph E. Seagram & Sons, Limited, founded in 1857, and formed a new public company, Distillers Corporation-Seagrams Limited

1930s

Scotland

1935 Acquired Robert Brown Limited (Scotch whisky); subsequently changed name to Seagram Distillers PLC

United States

1933 Formed Joseph E. Seagram & Sons, Inc., and acquired Lawrenceburg, Indiana, distillery
1934 Acquired Calvert distillery
1937 Acquired Carstairs Bros. Distillery Co.

1940s

Canada

1942 Acquired British Columbia Distillery Company Limited

Jamaica

1944 Formed Captain Morgan Rum Company

Scotland

1949 Acquired Chivas Brothers Limited (Scotch whisky)

United States

1941 Acquired Wilson Distilling Co. and Hunter Distillers Inc.
1943 Acquired Frankfort Distilling Company
1943 Acquired Paul Masson Vineyards (wine)

1950s

Canada

1953 Acquired United Distillers Ltd.
1955 Acquired Beaupré distillery

England

1956 Formed predecessor to Seagram United Kingdom Limited (distribution company)

France

1952 Acquired G.H. Mumm & Cie and Perrier-Jouët S.A. (Champagne)
1954 Acquired Barton & Guestier S.A. (wine)
1958 Acquired Chemineaud Frères (Cognac and brandy)

Jamaica

1954 Acquired Fred L. Myers & Son (1879) Limited (rum)

United States

1953 Formed Frankfort Oil Company

Venezuela

1959 Formed Licoreras Unidas, S.A. (LUSA) (distillery) and C.A. Distribuidora Chumaceiro (CADC) (distribution company), both joint ventures

1960s

Argentina

1963 Acquired Destileria San Ignacio S.A.I.C. (distilled spirits) and Bodegas y Viñedos Crillon S.A.I.C. (wine)
1967 Acquired Hudson, Ciovini y Cia. S.A.C.I. (distribution company)

Belgium

1967 Formed Seagrams Belgium, N.V. (distribution company)

Brazil

1965 Formed Brazilian subsidiaries

Costa Rica

1969 Acquired Seagram de Costa Rica S.A.

England

1963 Acquired Sir Robert Burnett Gin Company

France

1966 Acquired Augier Frères (Cognac)

Germany

1968 Acquired Fritz Lehment GmbH Spirituosenwerk (distilled spirits); subsequently changed name to Seagram Deutschland GmbH

Israel

1963 Formed International Distillers of Israel Limited

Italy

1960 Formed predecessor to Seagram Italia S.p.A.

Mexico

1965 Formed Seagram de Mexico, S.A. de C.V.

New Zealand

1965 Formed Seagram (New Zealand) Limited

Spain

1966 Formed Spanish subsidiary

United States

1960 Acquired Leroux Liqueur Company
1963 Acquired Texas Pacific Coal and Oil Company and merged it with Frankfort Oil Company to form Texas Pacific Oil Company, Inc.

1970s

Australia

1978 Acquired wine and spirits division of Dalgety Australia Pty. Ltd.

Austria

1972 Acquired Seagram Spirituosen GmbH (distilled spirits)
1972 Acquired Weichsler GmbH (spirits and liqueurs)

Canada

1975 Changed Company name to The Seagram Company Ltd. from Distillers Corporation-Seagrams Limited

Dominican Republic

1974 Formed Industria de Licores Internacionales, S.A. (ILISA), a joint venture (distilled spirits)

Germany

1970 Acquired Godefroy H. von Mumm & Co. (sparkling wine)
1971 Acquired Burgeff & Co. A.G. (sparkling wine)

Japan

1971 Formed Kirin-Seagram Limited, a joint venture with Kirin Brewery Co., Ltd.

Netherlands

1979 Formed Seagram Nederland B.V. (distribution company)

Portugal

1973 Acquired Macieira & Ca. Lda. (brandy)

Puerto Rico

1970 Formed Precision Plastic Products Corporation (manufacturer of closures)

Scotland

1978 Acquired The Glenlivet Distillers Limited (single malt Scotch whisky)

Switzerland

1975 Acquired Hans U. Bon A.G. (marketing company); subsequently changed name to Seagram (Switzerland) A.G.

United States

1979 Acquired Gold Seal Vineyards (wine)

1980s

Argentina

1981 Acquired minority interest in Valentin Bianchi S.A. (wine)

Australia

1985 Acquired Continental Distillers Pty. Ltd.

Brazil

1989 Acquired Almadén Vineyards Ltda. (wine)

Cameroon

1986 Formed La Société Camerounaise de Fermentation, a joint venture

China

1988 Formed Shanghai Seagram Limited, a joint venture with China Distillery Shanghai

Costa Rica

1989 Acquired Alimentos Preparados S.A. (Alpre) (wholesaler)

England

1980 Acquired Geo. G. Sandeman Sons & Co., Limited (Ports, Sherries and brandy)
1984 Acquired Oddbins Limited (retail outlet chain)

France

1988 Acquired Martell S.A. (Cognac and Armagnac)

Germany

1984 Acquired Matheus Müller GmbH (sparkling wine)
1987 Acquired Weinbrennerei Scharlachberg Sturm GmbH & Co. (brandy) and J. Carstens GmbH & Co. (wine spritzers)

Italy

1986 Acquired Casa Vinicola Maschio S.p.A. (sparkling wine) and Landy Frères S.p.A. (grappa)

New Zealand

1981 Acquired Wilson Distillers Ltd.

Nigeria

1982 Formed United Distillers and Vintners (Nigeria) Ltd., a joint venture

Portugal

1980 Acquired Caves da Raposeira, Lda. (sparkling wine)

Scotland

1986 Acquired Duncan Moir (wholesaler)
1987 Acquired assets of George Morton Ltd. (wholesaler), including the brand OVD Rum
1988 Acquired D. Rintoul & Company Ltd. (spirits and wine) and Kilglass Wines and Spirits Ltd. (wholesaler)

South Korea

1980 Formed Doosan Seagram Co., Ltd., a joint venture with Oriental Brewery Co., Ltd.

Thailand

1981 Formed Seagram (Thailand) Limited, a joint venture with Tejapaibul Co. Ltd.

United States

1980 Sold Texas Pacific's U.S. oil and gas properties for \$2.3 billion
1981 Acquired 27.9 million shares of Conoco Inc. for \$2.6 billion and tendered the shares to E.I. du Pont de Nemours and Company for a 20.2 percent interest in DuPont common shares
1983 Acquired The Wine Spectrum (Taylor, Great Western, Taylor California Cellars, Sterling Vineyards and The Monterey Vineyard wines and sparkling wines)
1987 Sold Paul Masson, Taylor California Cellars, Taylor, Great Western and Gold Seal Vineyards
1988 Acquired Tropicana Products, Inc. (fruit juices and juice beverages)

Venezuela

1989 Acquired Grey's Licores C.A. (wholesaler)

1990s**Cameroon**

1993 Divested La Société Camerounaise de Fermentation

Canada

1991 Formed Tropicana Canada

Chile

1993 Formed Comercial Forestier Chile Limitada
1993 Acquired plant and trademark assets of Seagers de Chile (spirits producer)

Colombia

1992 Formed LUSA de Colombia S.A.
1995 Acquired Atlas Comercial S.A.

Czech Republic

1992 Formed Seagram Spol. s r.o. (distribution company)

Dominican Republic

1994 Acquired controlling interest in ILISA from joint venture partner

England

1991 Formed Tropicana United Kingdom Limited

France

1991 Formed Tropicana Europe S.A.
1991 Acquired Maxime Delrue S.A. (distributor of fruit juices and specialty foods)
1993 Divested Janneau S.A., a subsidiary of Martell
1995 Sold plant assets of Barton & Guestier S.A., retaining trademarks and marketing and distribution rights

Germany

1991 Divested Weinbrennerei Scharlachberg Sturm GmbH & Co. (brandy) and J. Carstens GmbH & Co. (wine spritzers)
1992 Formed Seagram Holding-und Handelsgesellschaft GmbH
1994 Acquired Hitchcock GmbH (the leading brand of not-from-concentrate fruit juice)

Greece

1990 Acquired 70 percent interest in APKA S.A. (distribution company)
1995 Acquired remaining 30 percent interest in APKA S.A.

Guam

1993 Established representative office of Joseph E. Seagram & Sons, Inc.

Hungary

1992 Formed Seagram Hungary Kft. (distribution company)

India

1994 Formed Seagram (India) Manufacturing Private Limited (distilled spirits, wines and juices)

Japan

1990 Formed Kirin-Tropicana, Inc., a joint venture with Kirin Brewery Co., Ltd.

Malaysia

1994 Established representative office of Joseph E. Seagram & Sons, Inc.

Nigeria

1994 Divested United Distillers and Vintners (Nigeria) Ltd.

Philippines

1993 Established regional headquarters of Joseph E. Seagram & Sons, Inc.
1994 Formed Seagram Philippines Inc. (distribution company)

Poland

1992 Formed Seagram Polska Sp. zo.o. (distribution company)

Russia

1993 Established representative office of Joseph E. Seagram & Sons, Inc.

South Africa

1994 Formed Seagram South Africa (Pty) Ltd. (distribution company)

Sweden

1994 Formed Premium Brands Nordic AB (sales and marketing operation)

Taiwan

1990 Formed Seagram C.I. (Taiwan) Co., Ltd. (distribution company)

Ukraine

1992 Formed Seagram Ukraine Limited (distribution company)

United States

1991 Divested seven distilled spirits brands (Lord Calvert Canadian Whisky, Calvert Extra and Kessler Blended American Whiskeys, Calvert Gin, Wolfschmidt Vodka, Ronrico Rum and the Leroux line of cordials)
1993 Formed Tropicana Industrial Glass Company, a joint venture with American National Can Company (manufacturer of glass containers)
1993 Acquired assets of Barton Brands of California, Inc.
1993 Announced plans to acquire up to 15 percent of Time Warner Inc.
1994 Acquired distribution rights to Absolut Vodka in the U.S. and major international markets
1994 Reached 14.9 percent investment in Time Warner Inc.
1994 Acquired marketing and distribution rights for Patrón Tequila from St. Maarten Spirits Ltd.
1995 Acquired global fruit juice and juice beverage business from Dole Food Company, Inc. (excluding its canned pineapple juice business) for \$276 million
1995 DuPont redeemed 156 million of its shares owned by Seagram, which generated after-tax proceeds of \$7.7 billion to Seagram
1995 Acquired 80 percent of the parent company of MCA INC. for \$5.7 billion from Matsushita Electric Industrial Co., Ltd.

Venezuela

1992 Acquired balance of shares in Licorerias Unidas, S.A. and C.A. Distribuidora Chumaceiro from joint venture partners

Vietnam

1994 Established two representative offices of Joseph E. Seagram & Sons, Inc.

Portfolio of Brands



The following is a partial, non-inclusive listing.

The Seagram Spirits And Wine Group

American Whiskey

Cougar Bourbon
Four Roses Bourbon
Four Roses Black Label Bourbon
Four Roses Single Barrel Reserve Bourbon
Four Roses Platinum Bourbon
Seagram's 7 Crown

Canadian Whisky

Canadian Hunter
Crown Royal
Crown Royal Special Reserve
Crown Royal Limited Edition
Seagram's V.O.

Scotch Whisky

Black Douglas
Century
Chivas Regal 12-year-old
Glen Grant
Glen Grant 10-year-old
The Glenlivet 12-year-old
The Glenlivet 18-year-old
100 Pipers
Passport
Queen Anne
Royal Salute 21-year-old
St. Leger
Something Special
Benriach 10-year-old
Glen Keith Bottled in 1983
Strathisla 12-year-old
Longmorn 15-year-old

Local Whisky

Black Jack
Blenders Pride
Boston Club
Crescent
Emblem
Master Blend
Natu Nobilis
New Robert Brown
Regency
Secret
Valley 9 Gold
Wilson's

Cognac

Martell V.S. Fine
Martell Médaille V.S.O.P.
Martell Noblige
Martell Cordon Bleu
Martell Napoléon
Special Reserve
Martell X.O. Suprême
Martell Extra
Martell Gobelet Royal
Classique de J&F Martell
L'Or de J&F Martell
Création de J&F Martell

Brandy

Blandice
Capa Negra
Chatelain
Chemineaud
De Valcourt
Imperial
Macieira
René Briand

Gin

Boodles
Burnett's
Seagram's Extra Dry

Vodka

Deluxe
Nikolai
Orloff
Seagram's Premium

Rum

Cacique
Captain Morgan
Centenario
Diplomático
Montilla
Myers's
OVD
Ronrico

Tequila

Mariachi
Olmeca

Liqueur

Capucello
Godiva

Schnapps

Dr. McGillicuddy's

Flavored Spirits

5 Estrellas
Managers

Pre-Mixed

Four Roses & Cola
Olmeca Tequila Margarita
Passport & Cola
Seagram's Extra Dry
Gin & Tonic
Seagram's 7 Crown & Lemonade

Champagne

Mumm Cordon Rouge N.V.
Mumm Cordon Rouge Vintage
Mumm Cordon Rosé N.V.
Mumm Cordon Vert
Mumm Grand Cordon
Mumm René Lalou
Mumm de Cramant
Perrier-Jouët Grand Brut
Perrier-Jouët Brut Millesimé
Perrier-Jouët Blason de France
Perrier-Jouët Blason de France Rosé
Perrier-Jouët Belle Epoque
Perrier-Jouët Belle Epoque Rosé

Heidsieck Monopole Red Top
Monopole Sec
Heidsieck Monopole
Dry Monopole Brut
Heidsieck Monopole
Diamant Bleu
Heidsieck Monopole
Diamant Rosé

Sparkling Wine

Cuvée Mumm
Domaine Mumm
Maschio
Matheus Muller Sekt
Monitor
Mumm Cuvée Napa
Mumm Sekt
Raposeira

Sherry

Sandeman Dry Seco
Sandeman Medium Dry
Sandeman Rich Cream
Sandeman Don Fino
Sandeman Character
Sandeman Armada
Sandeman Royal Corregidor
Sandeman Soléo

Port

Sandeman Original Rich Ruby
Sandeman Original Fine Tawny
Sandeman Original Fine White
Sandeman Founders Reserve
Sandeman Imperial Aged Reserve Tawny
Sandeman 20-year-old Tawny
Sandeman Late Bottled Vintage
Sandeman Vintage
Sandeman Quinta do Vau – Single Quinta Vintage

Wine

Almadén
Barton & Guestier
Forestier
Sterling Vineyards
The Monterey Vineyard

Coolers

Seagram's Spirits

Selected Agency Brands

Absolut Vodka
Bianchi (Argentina)
Cointreau (Venezuela)
Cousino Macul (Venezuela)
Jameson (Canada)
Jim Beam (Germany)
Old Bushmills (Canada)
Patrón (U.S.)
San Telmo (Argentina)
Stolichnaya (Greece)

The Seagram Classics Wine Company

Champagne

Mumm

Sparkling Wine

Mumm Cuvée Napa

Wine

Sterling Vineyards
Barton & Guestier
The Monterey Vineyard
Julius Kayser

Selected Agency Brands

Castello d'Albola

Seagram Chateau & Estate Wines Company

Champagne

Perrier-Jouët

Sherry

Sandeman

Port

Sandeman

Selected Agency Brands

Domaines Barons de Rothschild
Domaine Clarence Dillon
Domaines Cordier
Domaines Jean-Pierre Moueix
Domaines Jean-Eugène Borie
F.E. Trimbach
Dominus Estate
Domaine G. Roumier
Domaine Ramonet
Domaine Bonneau du Martray



Tropicana Dole Beverages North America

Tropicana Pure Premium Juices

Original Orange
Grovestand Orange
Home Style Orange
Ruby Red Orange
Home Style Golden Grapefruit
Ruby Red Grapefruit
Plus Calcium and Extra
Vitamin C
Plus Vitamins A, C and E
OrchardStand Apple (Canada)

Tropicana Season's Best Juices

Home Style Orange
Original Orange
Orange Juice Plus Calcium
Orange Juice Plus Vitamins
Apple
Grape
Cranberry Medley
Grapefruit
Orange Pineapple
Ruby Red Grapefruit
Strawberry Orange
Fruit Medley
Citrus Medley

Tropicana Pure Tropics Juices

Orange Kiwi Passion
Orange Peach Mango
Orange Pineapple
Orange Strawberry Banana

Tropicana Juice Beverages

Citrus Punch
Fruit Punch
Lemonade
Berry Punch
Cranberry Punch
Pineapple Punch

Tropicana Twister Juice Beverages

Apple Raspberry Blackberry
Apple Berry Pear

Strawberry Orange Peach
Orange Strawberry Banana
Orange Cranberry
Orange Peach
Orange Raspberry
Cranberry Raspberry
Strawberry
Pink Grapefruit
Orange Strawberry Guava
Ruby Red Cranberry

Dole Juices

Mountain Cherry
Country Raspberry
Orchard Peach
Pineapple
Pineapple Orange
Pine-Orange Banana
Pine-Orange Guava
Pine-Orange Strawberry
Pine-Passion Banana
Mandarin Tangerine
Tropical Fruit

Tropicana Dole Beverages International

Tropicana Pure Premium Juices

Orange
Grapefruit
Ruby Breakfast
Pink Grapefruit
Orange-Peach
Orange-Pear

Fruvita Juices

Orange
Grapefruit
Apple
Red Grape
Lemon
Orange-Peach
Orange-Pear
Orange-Banana
Star Ruby
Sanguinello

Dole Juices

Orange with Pulp
Orange
Grapefruit
Apple
Orange-Peach
Orange-Pear
Orange-Banana

Kirin-Tropicana Juices

Orange
Orange Homemade Style
Apple
Grapefruit
Grape
Fruit Blend
Pear
Pure Premium Orange

Looza Juices and Nectars

Pineapple
Orange
Red Grapefruit
Grapefruit
Apple Apricot
Apple Cherry
Apricot
Caribbean Blend
Banana
Blackberry
Cranberry
Cherry
Red Grape
Tomato Cocktail
Tropical
Peach
Mango
Orange
Pear

Juice Bowl Juices

Orange
Apple
Grapefruit
Pineapple

The Seagram Beverage Company

Frozen Paradise

Strawberry Daiquiri
Pina Colada
Peach Daiquiri

Coolers

Wild Black Cherry
Wild Tropical Fruit
Wild Berries
Wild Kiwi Strawberry
Wild Mango
Wild Watermelon
Peach Daiquiri
Fuzzy Navel
Pineapple Pina Colada
Margarita
Strawberry Daiquiri
Banana Daiquiri
Raspberry Mimosa
Seagram's Golden
Planter's Punch
Long Island Iced Tea
Cherry Chocolate Jubilee
(Seasonal)

Mixer Flavors & Styles

Seagram's Ginger Ale
Seagram's Diet Ginger Ale
Seagram's Raspberry
Ginger Ale
Seagram's Diet Raspberry
Ginger Ale
Seagram's Tonic Water
Seagram's Diet Tonic Water
Seagram's Club Soda
Seagram's Original Seltzer
Seagram's Black Cherry
Seltzer
Seagram's Lemon Lime
Seltzer
Seagram's Orange Seltzer

Beers

Grolsch (agency brand)
Premium Lager
Amber Lager
Coyote
Amber Lager
Dark Lager
Devil Mountain
Five Malt Ale
Black Honey Ale
Railroad Gold Ale

MCA/Universal

During 1995, MCA/Universal launched several new brands and maximized the performance of existing brand franchises in different mediums. A partial, non-inclusive listing follows:



Filmed Entertainment

Universal Pictures

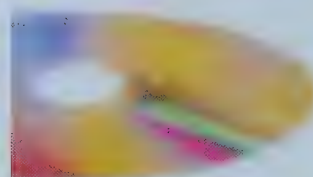
Apollo 13
Babe
Casper
Waterworld

MCA/Universal Television

Series:
Hercules: The Legendary Journeys
Xena: Warrior Princess
Murder, She Wrote
Law & Order
Coach
New York Undercover
Weird Science
Dream On
Earthworm Jim
Casper
Made-for-television movies:
A Mother's Prayer
Here Come the Munsters
The Rockford Files

MCA/Universal Home Video

Casper
Jurassic Park
The Land Before Time II & III
The Adventures of Timmy the Tooth



Music

MCA Records

Mary J. Blige
Immature
Jodeci
Live (Radioactive Records)

MCA Records/Nashville

Jimmy Buffett
Vince Gill
Reba McEntire
George Strait
Wynonna (Curb Records)

Geffen and DGC Records

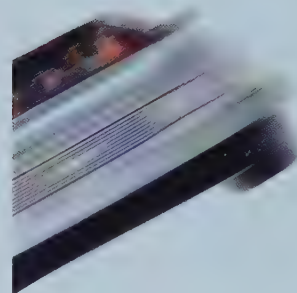
Counting Crows
Elastica
Hole
Weezer
White Zombie

GRP Recording Company

Jonatha Brooke & The Story
Jerald Daemyon
McCoy Tyner

Interscope Records

Bush (Trauma Records)
Deep Blue Something
Nine Inch Nails (Nothing/
TVT Records)
Toadies



Recreation

Universal Studios Hollywood

WaterWorld: A Live Sea War Spectacular

Universal Studios Florida

A Day in the Park with Barney



Publishing

The Putnam Berkley Group

Tom Clancy: *Debt of Honor*,
Without Remorse, *Op-Center*
Robin Cook: *Acceptable Risk*
Patricia Cornwell: *The Body Farm*
Dick Francis: *Wild Horses*
Charles Kuralt: *Charles Kuralt's America*
LaVyrle Spencer: *Home Song*
Amy Tan: *The Hundred Secret Senses*
Eric Carle: *The Very Lonely Firefly*

Directory

Board of Directors

Edgar M. Bronfman³
Chairman of the Board,
The Seagram Company Ltd.

The Hon. Charles R. Bronfman, P.C., C.C.³
Co-Chairman of the Board
and Chairman of the
Executive Committee,
The Seagram Company Ltd.

Edgar Bronfman, Jr.³
President and Chief
Executive Officer,
The Seagram Company Ltd.

Samuel Bronfman II
President, The Seagram
Classics Wine Company
(a division of Joseph E.
Seagram & Sons, Inc.,
a subsidiary of the
Corporation)

Matthew W. Barrett, O.C.⁴
Chairman and
Chief Executive Officer,
Bank of Montreal
(a financial institution)

David M. Culver, C.C.⁴
Chairman, CAI Capital
Corporation
(an equity investment fund)

The Hon. William G. Davis, P.C., C.C., Q.C.^{1,2}
Counsel, Tory Tory
DesLauriers & Binnington
(attorneys)

The Hon. Paul Desmarais, P.C., C.C.^{1,3}
Chairman and Chief
Executive Officer, Power
Corporation of Canada
(a holding and management
company)

David L. Johnston, O.C.^{2,4}
Professor of Law, McGill
University
(an educational institution)

The Hon. E. Leo Kolber, Senator^{3,4}
Member of The Senate
of Canada

Marie-Josée Kravis, O.C.^{2,4}
Fellow, The Hudson Institute
Inc. (a nonprofit economics
research institute)

Robert W. Matschullat³
Vice Chairman and
Chief Financial Officer,
The Seagram Company Ltd.

Edward F. McDonnell
Consultant, Joseph E.
Seagram & Sons, Inc. (a sub-
sidiary of the Corporation)

C. Edward Medland^{1,3}
President, Beauwood
Investments Inc. (a private
investment company)

Lew R. Wasserman
Chairman Emeritus,
MCA INC. (a subsidiary
of the Corporation)

John L. Weinberg⁴
Senior Chairman,
Goldman, Sachs & Co.
(investment bankers)

John S. Weinberg^{1,2}
General Partner,
Goldman, Sachs & Co.
(investment bankers)

Honorary Directors

A. Jean de Grandpré, C.C., Q.C.

Alain de Gunzburg

John L. Loeb

Neil F. Phillips, Q.C.

The Hon. Ian D. Sinclair, O.C.

Sir Iain Tennant, K.T.

Honorary Secretary

Alan A. Sharp

¹ Member of the Audit Committee
Member of Corporate Governance
Committee

² Member of the Executive Committee

³ Member of the Human Resources
Committee

Officers

Edgar M. Bronfman
Chairman of the Board

The Hon. Charles R. Bronfman, P.C., C.C.
Co-Chairman of the Board
and Chairman of the
Executive Committee

Edgar Bronfman, Jr.
President and
Chief Executive Officer

Robert W. Matschullat
Vice Chairman and
Chief Financial Officer

John D. Borgia
Executive Vice President,
Human Resources

Stephen E. Herbits
Executive Vice President,
Corporate Policy and
External Affairs

Steven J. Kalagher
Executive Vice President
President, The Seagram
Spirits And Wine Group

Ellen R. Marram
Executive Vice President
President, The Seagram
Beverage Group

Edward Falkenberg
Vice President and Controller

Jeananne K. Hauswald
Vice President and Treasurer

Gabor Jellinek
Vice President, Production

Arnold M. Ludwick
Vice President

Rosemary Moore
Vice President, Corporate
Communications and
Public Relations

Daniel R. Paladino
Vice President, Legal and
Environmental Affairs

Michael C. L. Hallows
Secretary

Shareholder Information

Annual Meeting of Shareholders

The Annual Meeting of Shareholders will be held on May 29, 1996, at 11:30 a.m. (E.D.T.) at Le Centre Sheraton, 1201 René-Lévesque Boulevard West, Montreal, Quebec.

Auditors

Price Waterhouse

Stock Symbol

VO

Stock Exchange Listings

Montreal, Toronto, Vancouver, New York and London

Transfer Agents and Registrars

The R-M Trust Company, 2001 University Street, 16th Floor, Montreal, Quebec H3A 2A6

The R-M Trust Company, Lower Level, 393 University Avenue, Toronto, Ontario M5G 2M7

The R-M Trust Company, 600 The Dome Tower, 6th Floor, 333-7th Avenue, S.W., Calgary, Alberta T2P 2Z1

The R-M Trust Company, Concourse Level, 1177 West Hastings Street, Vancouver, B.C. V6E 2K3

Chemical Mellon Shareholder Services L.L.C., P.O. Box 590, Ridgefield Park, N.J. 07660

Seagram Investor Relations

The Seagram Company Ltd., 1430 Peel Street, Montreal, Quebec H3A 1S9 or

Joseph E. Seagram & Sons, Inc., 375 Park Avenue, New York, N.Y. 10152

Joseph M. Fitzgerald—Vice President, Investor Relations (212) 572-7282

Maureen S. Hannan—Senior Director, Investor Relations (212) 572-1397

Requests for a copy of the Annual Report on Form 10-K, as filed with the Securities and Exchange Commission in Washington, D.C., and other corporate information, should be directed to Seagram Investor Relations as listed above.

Shareholder Inquiries

Shareholder inquiries should be addressed to: Shareholder Services, The Seagram Company Ltd., 1430 Peel Street, Montreal, Quebec H3A 1S9 or telephoned to (514) 987-5209.

Édition française du rapport annuel

On peut se procurer l'édition française de ce rapport en écrivant au: Services aux actionnaires, La Compagnie Seagram Ltée, 1430, rue Peel, Montréal (Québec) H3A 1S9.

Design

Addison Corporate Annual Reports, NYC

Photographers: Rick Burda, Scott Morgan, Alan Richardson

Arthurs-Jones Inc.

Mississauga, Ontario

© The Seagram Company Ltd. 1996

Printed on recycled paper



The Seagram Company Ltd.

1430 Peel Street
Montreal, Quebec
Canada H3A 1S9

Seairm

Report for the Transition Period Ended June 30, 1996

The Seagram Company Ltd. operates in two global segments: beverages and entertainment. The beverage businesses are engaged principally in the production and marketing of distilled spirits, wines, fruit juices, coolers, beers and mixers throughout more than 150 countries and territories. The entertainment company, MCA INC., produces and distributes motion picture, television and home video products, and recorded music; operates theme parks and retail stores; and publishes books.

As reflected in this Report, the Company has changed its fiscal year-end to June 30, in order to better align its planning and budgeting cycles with the business needs of its core beverage and entertainment segments. This change allows the operating businesses to focus exclusively on their customers during periods of peak business activity. This Report discusses our financial results for a five-month transition period from February 1, 1996 to June 30, 1996.

Directors' Report *to* Shareholders



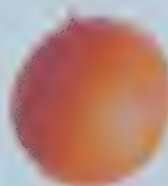
Seagram's results for the February through June 1996 transition period, which bridged the change in our fiscal year to a June 30 from a January 31 close, were in line with what we disclosed they would be last March. Attributed revenues increased eight percent and EBITDA declined eight percent, both on a pro forma basis. We expected that Company-wide initiatives to

accelerate growth would most likely depress pro forma earnings comparisons during this five-month period. At the same time, we said that these initiatives hold great promise for future growth. We continue to believe that this is true. At the start of our new fiscal year, our businesses are moving in the right directions. Mindful that much work remains to be done, we are optimistic about the future of the Company.

Our top initiatives during the transition period were all designed to make Seagram a more competitive and more profitable entity. Our business plan anticipated that The Seagram Spirits And Wine Group's EBITDA would decline as the full benefits of the division's reengineering efforts would not be realized until our new fiscal year. In fact, the Group's EBITDA was down five percent. The Seagram Beverage Group accurately predicted good growth during the period, and EBITDA grew 16 percent. MCA's EBITDA declined 18 percent on a pro forma basis, reflecting the significant investment in its operations that was budgeted for this five-month period.

Underlying these results, however, is ample evidence that Seagram's strategy to create new opportunities for sustained growth in all our businesses is working. Our strategy demanded that we manage effectively the significant changes in our core assets, in the senior management at most of our operations, and in many operating procedures that we detailed in last year's annual report. As a result, the Company is operationally more flexible and more nimble than it has ever been. We know that change will continue to affect all of our operations, although it is unlikely to do so at the same furious pace as it did this past year. Our strategy also demands that we invest opportunistically in new businesses that will

**Underlying
these results
is ample evidence
that Seagram's
strategy to create
new opportunities
for sustained
growth in all
our businesses
is working.**



strengthen our current operations and offer attractive longer-term growth. Most of the Company's initiatives during the transition period were in entertainment, a business we identified last year as one that clearly meets our growth objectives. Among the highlights:

- o The MCA Television Group in July finalized long-term agreements valued at \$2.5 billion with Germany's two leading entertainment companies, Kirch Group and RTL, to license motion pictures and television programming to the German pay and free television markets. Together, these long-term deals are possibly the largest ever reached by an American studio in the international marketplace. They include the launch of two pay channels on Kirch's new digital television service and television series co-financing with RTL. These agreements form an important cornerstone of MCA's international television expansion.

- o In May, the Television Group also acquired a majority equity interest in Brillstein-Grey Entertainment, a successful television and motion picture production company. Combined with MCA's own revitalized network television development efforts for the 1996-1997 season, this acquisition reestablishes MCA as one of the leading television programmers in the industry.

- o The Universal Recreation Group announced in February that it had reached an agreement with the city of Osaka to build Universal Studios Japan, its first theme park outside the U.S. The park is scheduled to open in the spring of 2001. This agreement provides a blueprint for further international expansion.

- o The Recreation Group also announced an agreement with Loews Corp. to develop two luxury hotels in Orlando, Florida. These properties are part of MCA's and The Rank Organisation's major expansion of their Universal City Florida entertainment complex. As previously announced, these hotels will be part of a major destination resort encompassing the existing Universal Studios Florida theme park, as well as a second gated attraction, *Universal's Islands of Adventure* and a lively nighttime entertainment complex, CityWalk, both set to open in 1999.

- o As a part of its expanded program of investing in Hollywood-themed entertainment venues, the Recreation Group also opened two new feature attractions during the transition period. In Orlando, the *Terminator 2: 3-D* ride opened in May, and in Hollywood, *Jurassic Park - The Ride* debuted in June. To date, both attractions have

raised attendance and per capita spending well above last year's levels.

- o The MCA Music Entertainment Group purchased a 50 percent interest in Interscope Records in February and formalized two new record labels, Universal Records and Rising Tide/Nashville, increasing its presence in the recorded music business. The division also invested significantly in both its domestic and international operations, opening 21 new offices in four new territories and signing a number of new international artists. MCA Music's international offices now cover 95 percent of the foreign record-buying market.

Funding these new investments and evaluating others are vitally important to us. The Company's strong balance sheet and cash flow provide us with the flexibility to do so. Approximately one year after the DuPont, MCA and Dole transactions, net debt of \$4.1 billion is 27 percent of total capital (including minority interest), compared to 48 percent at January 31, 1995, prior to the transformation in our assets. We have also benefited recently from several corporate initiatives.



Edgar M. Bronfman
Chairman

Charles R. Bronfman
Co-Chairman

Seagram sold 156 million equity warrants back to DuPont for \$500 million in July, recognizing proceeds of \$479 million after-tax. These warrants were issued as part of DuPont's redemption of most of our shareholding in that company. Seagram repurchased approximately 2.1 million of its common shares in open market transactions in the February through June period at an average price of \$32.82 per share. The Board of Directors has approved an authorization to repurchase additional shares, which we plan to do opportunistically.

Operating Highlights

The Seagram Spirits And Wine Group attributed revenues increased six percent and EBITDA declined five percent during the February through June period. The Europe & Africa region recorded a 12 percent attributed revenue gain, its best performance in some time, while the Americas and Asia Pacific regions experienced essentially flat revenues. The division's top 15 brands, which represent over 65 percent of total annualized attributed revenues of \$5.2 billion, performed better than the total Group. They are and will continue to be the primary focus for future growth. EBITDA performance was down, though in line with expectations; it does not reflect the full effect of operating efficiencies from reengineering efforts. Not all of these measures, however, are designed simply to cut costs. The Seagram Spirits And Wine Group has developed a much-improved customer fulfillment program and a stronger marketing focus on consumer brand awareness.

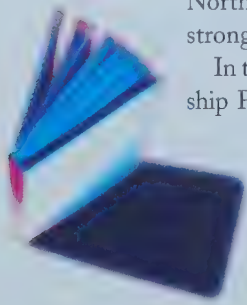
The Seagram Spirits And Wine Group, as part of its planning process for the 1997 fiscal year, has completed a rigorous review of its 150 brands across all regions. The division has clearly delineated growth initiatives in each of the markets in which it competes. For the more mature markets like North America and Europe, the Group has streamlined its operations and realigned its sales force in response to changes in distribution. Most importantly, it has segmented the market to focus on premium brands which are expected to outperform the overall industry in these markets. In the emerging markets, Seagram's strong distribution and brand portfolio provide a competitive advantage.

In June, one of the Group's leading brands, Crown Royal, tested a television advertisement on a local station in Corpus Christi, Texas, one of its primary markets. As part of an overall marketing plan to strengthen its brands, the advertisement appeared on programming which has a predominantly adult audience. The commercial was consistent with our long-standing principles of advertising responsibly. For over 60 years, The Seagram Spirits And Wine Group's public service advertising and educational efforts have stressed responsible drinking; the Group has contributed significantly to industry trade groups' support of these programs as well. The Group is strongly committed to continuing this support. We intend to be just as responsible in our broadcast product advertising as we have been in every other campaign in every other medium.

The Seagram Beverage Group reported strong results, based on continued growth of its worldwide juice businesses and the acquisition of the Dole juice business, excluding canned pineapple juice, which it completed in May 1995. Attributed revenues were \$839 million, 20 percent ahead of last year, while EBITDA increased 16 percent. Both North America and International contributed to the strong performance.

In the U.S., Tropicana Dole Beverages, led by its flagship Pure Premium brand, maintained its 41 percent

**The Seagram
Spirits And
Wine Group
developed a
much-improved
customer
fulfillment
program and
a stronger
marketing focus
on consumer
brand awareness.
Internationally,
Tropicana Dole
Beverages
boosted volume
40 percent,
reflecting
Dole's significant
overseas
presence.**



share of the chilled orange juice market. The division introduced a breakthrough advertising campaign for Pure Premium and significantly increased spending behind it. The "Perfect" campaign, which will be introduced in other countries this year, helped drive the Company's share of the not-from-concentrate orange juice market to 69 percent, up almost two points. The division also continued its effort to have its brands widely available beyond the grocery store: Impressive gains were made with both chilled and shelf-stable products in convenience, club store and food service outlets. The reengineering efforts initiated in 1994 resulted in savings in both manufacturing and commercial operations. We expect additional benefits from these initiatives in the new fiscal year.

Internationally, Tropicana Dole Beverages boosted volume 40 percent, reflecting Dole's significant overseas presence. In the important French market, for example, Fruvita, a Dole product, and Tropicana are the number-one and number-two chilled juice brands, respectively. Results in France and the U.K. were particularly strong, aided by shifting production from the U.S. to facilities in France and Belgium. Asian results reflect the company attaining the number-one position in Tokyo and continuing as the leading chilled juice marketer in Taiwan.

At MCA, attributed revenues increased seven percent and EBITDA declined 18 percent in the transition period on a pro forma basis. Many of the initiatives described earlier in this report affected period-to-period comparisons.

Filmed entertainment attributed revenues and EBITDA increased 12 percent and 98 percent, respectively, from the prior period. The Motion Picture Group reported significantly stronger international theatrical revenues and worldwide video revenues, due principally to the division's successful 1995 releases: *Babe*, *Apollo 13*, and *Casper*. MCA Television Group revenues declined during the period due to less television production and fewer related network license fees from a year ago. As several of the cancelled programs were being produced at a deficit, EBITDA increased over 1995. The division's first-run syndication results improved over last year's, primarily the result of improved ratings for the action/adventure programs, *Hercules: The Legendary Journeys* and *Xena: Warrior Princess*.

MCA Television's longer-term outlook, however, is vastly improved from what it was several months ago. The Group had its most successful network television development season in many years, placing two new comedies and two new dramas on the networks' fall schedule. Universal also has commitments for two additional hour-long dramas as midseason replacements in early 1997. Combined with its own returning series and with Brillstein-Grey's current 1.5 hours of network programming, Universal now ranks third of all the major studios, with 6.5 hours of network programming, compared to sixth last year. Additionally, the coproduction arrangements and pay channel start-ups from the previously described German television agreements demonstrate the broad global appeal of Universal's film and television libraries and their greatly enhanced international prospects. These initiatives are expected to favorably impact results more in subsequent years than they will in the fiscal year ending June 1997.

MCA Music Entertainment Group attributed revenues declined nine percent, compared to the prior period, and EBITDA was a loss of \$24 million,

**The Universal
Recreation Group
reached an
agreement with
the city of
Osaka to build
Universal Studios
Japan, its first
theme park
outside the U.S.**





Edgar Bronfman, Jr.
President and
Chief Executive Officer

due primarily to extremely difficult comparisons with the highly successful 1994–1995 release schedule, a relatively small number of record releases in the 1996 period and the investments in new artists, international operations and startup record labels. The foreign share of the world market has been growing rapidly. To capitalize on this, MCA Music now has offices in 25 foreign countries and has been actively signing local talent. The domestic U.S. music market has recently suffered from consolidation and financial weakness at the retail level. We view these problems as cyclical rather than structural and expect the market to stabilize. The Music Group's investments, artist signings and restructuring have set the stage for revenue and EBITDA growth beginning later in the 1997 fiscal year.

Universal Recreation Group attributed revenues increased 11 percent while EBITDA declined 33 percent. The Group incurred incremental startup and marketing expenses for the two new feature attractions in Orlando and Hollywood, both of which opened late in the transition period. The timing of these start dates meant that the higher attendance and per capita spending that these rides have generated will be more evident in our new fiscal year ending June 30, 1997.

The Company named Frank J. Biondi, Jr. as Chairman and Chief Executive Officer of MCA INC. in April. Mr. Biondi, who was formerly President and Chief Executive Officer of Viacom Inc., was also elected to Seagram's Board of Directors.

At this time, we would like to pay special tribute to two directors who will be retiring from the Board in October. John L. Weinberg joined the Board in 1975 and has served with distinction on the Audit, Finance and Human Resources committees. He has also been instrumental in many of the Company's major transactions. David M. Culver, a director since 1982, has been a member of the Finance Committee and a key member of the Human Resources Committee and served as its Chairman since 1995. We thank them for their wise counsel, support and friendship over the years.

We sense a growing confidence throughout Seagram as we begin our new fiscal year. This confidence comes from a feeling that our new structure, new management and new businesses can provide sustained growth. Our beverage and entertainment franchises are strong, each with excellent growth prospects. Our overall financial condition is sound and will allow us to pursue additional opportunities. As we go forward into our next fiscal year, we would like to express our gratitude once again for the support given us from our consumers and customers, our shareholders and our employees.

On behalf of the Board,

Edgar M. Bronfman
Chairman

Charles R. Bronfman
Co-Chairman

Edgar Bronfman, Jr.
President and
Chief Executive Officer

September 5, 1996

Management's Discussion *and Analysis*

Several major events since April 1995 have substantially changed Seagram and impacted the comparability of Seagram's financial statements.

Change in Fiscal Year-End: Effective June 30, 1996, the Company changed its fiscal year-end from January 31 to June 30. The financial results for the period from February 1, 1996 to June 30, 1996 (the "Transition Period") are included in this Report. The Company began its first full fiscal year on the new basis on July 1, 1996. Results for the Transition Period are not necessarily indicative of operations for a full year.

Redemption of 156 Million Shares of DuPont: On April 6, 1995, E.I. du Pont de Nemours and Company ("DuPont") redeemed common stock held by the Company in a transaction valued at \$8.8 billion. The Company received cash and 30-day notes from DuPont plus 156 million DuPont equity warrants valued at \$440 million, as of the transaction date. The after-tax cash proceeds were \$7.7 billion. The Company retains 8.2 million DuPont shares which had a market value of \$651 million at June 30, 1996.

Acquisition of Dole Juice Beverage Business: On May 19, 1995, Seagram completed the acquisition of the global juice and juice beverage business (excluding canned pineapple juice) of Dole Food Company, Inc. ("Dole") for \$276 million. The Dole operations which Seagram acquired include fruit juices marketed under the Dole, Juice Bowl, Fruvita and Looza trademarks and manufacturing capability in the U.S., Europe and China. The Dole brand name is licensed from Dole.

Acquisition of 80 Percent of MCA Holding I Corp.: On June 5, 1995, Seagram completed the purchase of an 80 percent interest in MCA Holding I Corp. ("MCA"), the parent of MCA INC., from Matsushita Electric Industrial Co., Ltd. ("Matsushita") for \$5.7 billion. Matsushita retains a 20 percent interest in MCA.

Sale of 156 Million DuPont Equity Warrants: On July 24, 1996, DuPont repurchased 156 million equity warrants owned by Seagram for \$500 million in cash. The Company had an after-tax gain of \$39 million and after-tax net proceeds of \$479 million. Because this transaction was completed subsequent to the Transition Period, it will be recognized in the Company's financial results in the quarter ending September 30, 1996.

The following presentation discusses the revenues and operating income for the Company's two business segments – Beverages and Entertainment. The more detailed discussion of the six lines of business within these two segments – Spirits and Wine, Fruit Juices and Other, Filmed Entertainment, Music Entertainment, Recreation, and Publishing and Other – will address attributed revenues and attributed earnings before interest, taxes, depreciation and amortization ("EBITDA"). These amounts include Seagram's proportionate share of the revenues and EBITDA, respectively, of its equity companies. The adjustment for equity companies eliminates the proportionate share of the revenues or EBITDA of equity companies, and reflects the equity income as reported under U.S. generally accepted accounting principles.

The Company believes cash flow, as defined by EBITDA, is an appropriate measure of the Company's operating performance, given the goodwill associated with the Company's acquisitions. In addition, financial analysts generally consider EBITDA to be an important measure of comparative operating performance. However, EBITDA should be considered in addition to, not as a substitute for, operating income, net income, cash flows and other measures of financial performance in accordance with generally accepted accounting principles.

The following detailed analysis of operations should be read in conjunction with the Consolidated Financial Statements of the Company found on pages 15 to 31.

Results of Operations

Transition Period vs. Comparable Period Ended June 30, 1995 Revenues were significantly higher than the comparable period last year reflecting the timing of the closing of the Dole juice and MCA acquisitions in May and June of last year, respectively. Reported revenues and attributed revenues in the Transition Period were \$5.0 billion and \$5.6 billion, respectively, compared with \$2.7 billion and \$2.9 billion, respectively, in the prior period. EBITDA increased 32 percent to \$518 million in the Transition Period. Beverages EBITDA declined slightly to \$322 million as weaker Spirits and Wine performance more than offset a \$10 million increase in Fruit Juices and Other. Entertainment EBITDA was \$196 million compared with \$66 million last year, which represented one month of MCA results. Operating income declined to \$179 million in the Transition Period reflecting a substantial increase in the depreciation and amortization expense associated with the MCA and Dole juice acquisitions, and higher corporate expenses. The increase in corporate expenses to \$47 million primarily results from expenses related to our ongoing reengineering initiatives.

Interest, net and other in the Transition Period included \$133 million of net interest expense, partially offset by \$19 million of dividend income from Time Warner Inc. ("Time Warner") and DuPont. In the five months ended June 30, 1995, net interest expense was \$91 million and dividend income was \$18 million. Interest expense last year was net of \$76 million of interest income largely earned from the temporary investment of the full proceeds from the DuPont redemption from April 1995 until the funding of the MCA acquisition in June 1995.

The income tax provision in the Transition Period included a \$67 million benefit related to a settlement with the U.S. government regarding the recognition of a capital loss on the Company's 1981 exchange of shares of Conoco Inc. for common stock of DuPont. Excluding this tax benefit, the effective income tax rate of 80 percent was significantly higher than the prior year rate of 34 percent because of the nondeductibility of the goodwill amortization associated with the MCA and Dole juice acquisitions and lower taxable earnings.

Minority interest expense represents Matsushita's 20 percent interest in the after-tax income of MCA. In the Transition Period, the minority interest of \$5 million was added back to income to reflect the after-tax loss of MCA primarily due to the depreciation and amortization expense. In the prior period, minority interest expense of \$3 million was deducted from earnings.

Net income was \$85 million or \$0.23 per share in the Transition Period. Excluding the benefit associated with the tax settlement of \$67 million or \$0.18 per share, net income was \$18 million or \$0.05 per share. In the five months ended June 30, 1995, earnings before the discontinued DuPont activities were \$117 million or \$0.32 per share. Due to the redemption of most of the Company's DuPont shares on April 6, 1995, the Company discontinued accounting for its investment in DuPont under the equity method effective February 1, 1995. Earnings related to the DuPont investment are presented as discontinued activities in the prior period and include a \$3.2 billion after-tax gain on the redemption of the 156 million shares and \$68 million of after-tax dividend income earned on such shares prior to the redemption transaction. In the five months ended June 30, 1995, net income was \$3.3 billion or \$8.99 per share.

Earnings Summary

U.S. dollars in millions, except per share amounts	Five Months Ended June 30				
	1996	1995	1996	1995	1995
Attributed Revenues	\$5,558	\$2,909	\$10,536	\$5,558	\$6,212
Reported Revenues	5,013	2,715	9,747	5,013	6,038
EBITDA	518	391	1,381	518	942
Operating Income					
Beverages	225	240	456	225	225
Entertainment	1	32	205	1	—
Corporate	(47)	(16)	(77)	(47)	—
Operating Income	179	256	584	179	225
Interest, net and other	114	73	235	114	225
Provision for income taxes	(15)	63	153	(15)	153
Minority interest	(5)	3	22	(5)	—
Income Before					
Discontinued DuPont					
Activities and					
Cumulative Effect					
of Accounting Change	85	117	174	85	117
Per share	\$.23	\$.32	\$.46	\$.23	\$.32
Discontinued DuPont					
activities, after tax	—	3,232	3,232	—	3,232
Income before					
cumulative effect of					
accounting change	\$ 85	\$3,349	\$ 3,406	\$ 85	\$3,349
Cumulative effect of					
accounting change	—	—	—	—	—
Net Income	\$ 85	\$3,349	\$ 3,406	\$ 85	\$3,349
Net Income Per Share	\$.23	\$ 8.99	\$ 9.13	\$ 1.98	\$ 1.02

Beverages

Five Months Ended June 30, Fiscal Years Ended January 31,

<i>U.S. dollars in millions</i>	1996	1995	1996	1995	1994
Attributed Revenues					
Spirits and Wine	\$1,947	\$1,841	\$5,093	\$5,061	\$4,702
Fruit Juices and Other	839	702	1,898	1,592	1,510
Attributed revenues	2,786	2,543	6,991	6,653	6,212
Adjustment for equity companies	(133)	(129)	(297)	(254)	(174)
Reported Revenues *	\$2,653	\$2,414	\$6,694	\$6,399	\$6,038
EBITDA					
Spirits and Wine	\$ 250	\$ 263	\$ 763	\$ 809	\$ 770
Fruit Juices and Other	72	62	196	159	172
EBITDA before reengineering charge	322	325	959	968	942
Reengineering charge	—	—	(290)	—	—
EBITDA	322	325	669	968	942
Adjustment for equity companies	(5)	(3)	(8)	(7)	(5)
Depreciation and amortization	(92)	(82)	(205)	(180)	(163)
Operating Income	\$ 225	\$ 240	\$ 456	\$ 781	\$ 774

*Reported revenues include excise taxes of \$296 million and \$317 million in the five-month periods ended June 30, 1996 and 1995, respectively, and \$812 million, \$836 million and \$811 million for the fiscal years ended January 31, 1996, 1995 and 1994, respectively.

North America, which more than offset a 14 percent improvement in Europe and Africa and a substantial recovery in several Latin American affiliates. In North America our performance was impacted by a reduction in distributor inventory levels and the timing of brand spending. Europe's EBITDA improved versus a very difficult prior period, particularly in Portugal. Latin America's performance reflected a business rebound in both Mexico and Argentina, and benefits from our reengineering initiatives in Brazil. Asia Pacific's results were essentially unchanged as weaknesses in Taiwan and our duty free operations, caused by the political unrest between mainland China and Taiwan early in the period, offset growth in Korea from our scotch portfolio.

Despite the difficult operating results, we continued to invest in our future by increasing marketing spending five percent and investing in new and developing markets such as India and greater China. Advertising is focused behind core strategic brands and in key markets including Germany, Korea and greater China.

Depreciation and amortization of assets was \$44 million in the Transition Period and in the prior period. Amortization of goodwill was \$10 million in both periods. Spirits and Wine capital expenditures were \$106 million in the Transition Period and total assets were \$5,119 million at June 30, 1996.

Fruit Juices and Other This unit continued its strong performance driven by growth in Tropicana's base business and the contribution of the juice operations acquired from Dole. The five months ended June 30, 1995 included approximately one month of Dole juice beverage results. Attributed and reported revenues for Fruit Juices and Other each climbed 20 percent. Excluding the juice beverage operations acquired from Dole, Tropicana's attributed revenues grew nine percent. EBITDA rose 16 percent to \$72 million while EBITDA as a percent of attributed revenues declined from 8.8 percent to 8.6 percent. The decrease in the EBITDA margin primarily results from the write-off of obsolete inventory in our low alcohol division. Excluding this inventory adjustment, EBITDA for the fruit juice group grew 28 percent.

Beverages

In the Transition Period, the Beverages segment contributed \$2.7 billion to reported revenues, which is 10 percent greater than the prior period. The operating income contribution of \$225 million was \$15 million below the operating income in the period ended June 30, 1995.

Spirits and Wine Attributed and reported revenues each grew six percent largely driven by improvement in Europe. Excluding the unfavorable impact of foreign exchange, revenues would have risen eight percent. In the Transition Period, EBITDA declined five percent to \$250 million as lower results in North America more than offset a recovery in Europe. The effect of foreign exchange on EBITDA was negligible. EBITDA as a percent of attributed revenues declined from 14.3 percent to 12.8 percent as a result of increased marketing spending and continued investment in developing markets.

Case volumes rose almost four percent in the Transition Period partly reflecting the improvement in Europe. Most of our key premium brands continued to grow, including Martell Cognac which increased unit volumes 10 percent, primarily in Europe, and Chivas Regal Scotch Whisky and Crown Royal Canadian Whisky, which both had volume growth of three percent. Mumm Sekt, which had suffered previously from the difficult German market, had five percent higher volumes during the Transition Period. Absolut Vodka, for which the Company gained distribution rights in the U.S. and major international markets beginning in 1994, continues to be an exceptional brand with a double-digit increase in shipments reflecting growth in the U.S. and the expansion of Seagram's distribution of Absolut Vodka into new markets, such as Canada.

The EBITDA shortfall primarily reflects a decline in

Tropicana Dole Beverages' unit volume increased 21 percent driven largely by an eight percent increase in Pure Premium unit volume in North America and a 40 percent increase in international unit volume. Tropicana Dole Beverages, led by its flagship Pure Premium brand, maintained a 41 percent share of the U.S. chilled orange juice market in the Transition Period.

Depreciation and amortization of assets was \$26 million in the Transition Period and \$18 million in the prior period. Amortization of goodwill was \$12 million and \$10 million in the periods ended June 30, 1996 and 1995, respectively. Capital expenditures for Fruit Juices and Other were \$62 million in the Transition Period and total assets were \$2,546 million at June 30, 1996.

Entertainment

In the Transition Period, which includes MCA results from January 1, 1996 to June 30, 1996, MCA contributed \$2.4 billion to reported revenues and \$1 million to operating income, after significant amortization and depreciation expense. In the period ended June 30, 1995, the Company's results included one month of MCA from the acquisition date of June 5, 1995 until June 30, 1995. During that time MCA had reported revenues of \$301 million and operating income of \$32 million. In order to provide a basis of comparison, the discussion that follows is based upon MCA results for the six months ended June 30, 1996 compared with the results for the six months ended June 30, 1995.

Filmed Entertainment In the six-month period ended June 30, 1996, attributed revenues and reported revenues each rose 12 percent and EBITDA almost doubled to \$176 million versus the prior period. EBITDA as a percent of attributed revenues increased to 10.1 percent from 5.7 percent in the prior period.

The motion picture group was driven by higher worldwide profits from prior year releases, particularly *Babe* and *Casper*. The television group had improved results mainly because of the cancellation of several series which were in a deficit position. The EBITDA of our 50 percent-owned joint venture, USA Networks, was essentially even with the prior period.

Music Entertainment Attributed and reported revenues each declined nine percent, while EBITDA was a loss of \$24 million compared to income of \$75 million last year. Lower revenues and EBITDA reflect difficult comparisons with the prior period. The six months ended June 30, 1995 included significant carry-over business from the very strong fourth quarter of 1994. Major new releases in 1996 were limited to albums by Wynonna, Vince Gill and George Strait. EBITDA was affected by a substantial investment program in 1996, which included increased spending for international expansion and investment in new artists and label ventures including Universal Records and Rising Tide/Nashville, and the newly acquired interest in Interscope Records. The Group recorded higher reserves in the six months ended June 30, 1996 to reflect the current business environment.

U.S. dollars in millions	Entertainment					
	Five Months Ended June 30,		Fiscal Year Ended January 31,	Six Months Ended June 30,	12 Months	
	1996	1995	1996	1995	Ended December 31, 1995	1994
Attributed Revenues						
Filmed Entertainment	\$1,740	\$193	\$2,124	\$1,556	\$3,487	\$3,313
Music Entertainment	537	85	753	589	1,257	1,293
Recreation	231	48	287	208	447	440
Publishing and Other	264	40	381	240	581	525
Attributed revenues	2,772	366	3,545	2,593	5,772	5,571
Adjustment for equity companies	(412)	(65)	(492)	(372)	(798)	(753)
Reported Revenues	\$2,360	\$301	\$3,053	\$2,221	\$4,974	\$4,818
EBITDA						
Filmed Entertainment	\$ 176	\$ 37	\$ 240	\$ 89	\$ 292	\$ 176
Music Entertainment	(24)	11	59	75	123	192
Recreation	37	16	85	55	124	128
Publishing and Other	7	2	36	20	54	37
EBITDA	\$ 196	\$ 66	420	\$ 239	\$ 593	\$ 533
Adjustment for equity companies	(47)	(11)	(56)			
Depreciation and amortization	(148)	(23)	(159)			
Operating Income	\$ 1	\$ 32	\$ 205			

Note: The Company's reported financial results for the five-month periods ended June 30 include six months of MCA in the Transition Period (from January 1, 1996 to June 30, 1996) and one month of MCA in the prior period (from the acquisition date of June 5, 1995 to June 30, 1995). The Company's results for the fiscal year ended January 31, 1996 include seven months of MCA (from June 5, 1995 to December 31, 1995). MCA's results for the six months ended June 30, 1995 and the 12 months ended December 31, 1995 and December 31, 1994 are provided for the comparative operating discussion.

Entertainment

U.S. dollars in millions	Five Months Ended June 30, 1996	Fiscal Year Ended January 31, 1996	12 Months Ended December 31, 1995 1994	
			1995	1994
Capital Expenditures				
Filmed Entertainment	\$ 33	\$ 40	\$ 59	\$ 66
Music Entertainment	24	26	33	30
Recreation	66	90	114	98
Publishing and Other	13	19	23	25
	\$136	\$175	\$229	\$219

Note: The Company's reported financial results for the five-month period ended June 30 include six months of MCA in the Transition Period (from January 1, 1996 to June 30, 1996). The Company's results for the fiscal year ended January 31, 1996 include seven months of MCA (from June 5, 1995 to December 31, 1995). MCA's results for the 12 months ended December 31, 1995 and December 31, 1994 are provided for comparative purposes.

\$7 million. The EBITDA decline is attributable to higher return reserves at Interplay Productions (an entertainment software developer), the write-off of certain development costs at Universal Interactive Studios (an entertainment software developer) and several nonrecurring favorable items which occurred in 1995 including a gain on the sale of land to the Los Angeles MTA.

Book publishing attributed revenues and EBITDA increased as a result of higher shipments of two Patricia Cornwell novels: *Cause of Death* and *From Potter's Field*. Spencer Gifts' results remained strong as the division benefited from a six percent increase in comparable store sales and the impact of new stores.

Year Ended January 31, 1996 vs. Year Ended January 31, 1995 Reported revenues and attributed revenues were \$9.7 billion and \$10.5 billion, respectively, up substantially from \$6.4 billion and \$6.7 billion, respectively, in the prior year, largely due to the inclusion of partial year results of MCA and the Dole juice business. EBITDA, after a reengineering charge of \$290 million, was \$1.1 billion compared with \$968 million in the prior year. Entertainment contributed \$420 million, and Fruit Juices and Other increased 23 percent, while Spirits and Wine declined six percent. Corporate expenses climbed to \$77 million from \$56 million largely because the increase in the market value of the Company's shares in the year ended January 31, 1996 resulted in the recognition of additional expenses associated with stock-based compensation. Corporate expenses in both years included expenses related to consulting fees and internal costs attributable to the Company's ongoing reengineering efforts. Operating income, after the \$290 million charge, declined to \$584 million. Excluding this charge, operating income rose 21 percent to \$874 million reflecting the contribution from Entertainment and higher Fruit Juices and Other, partially offset by weaker Spirits and Wine results.

Interest, net and other in the year ended January 31, 1996 included \$273 million of net interest expense, partially offset by \$89 million of dividend income from Time Warner and DuPont. In the fiscal year ended January 31, 1995 net interest expense of \$896 million was partially offset by \$34 million of dividend income. The net interest expense decrease largely reflected the repayment of debt with a portion of the proceeds from the DuPont redemption and interest income earned from the temporary investment of the DuPont proceeds from April 1995 until the funding of the MCA acquisition in June 1995.

The effective income tax rate on continuing operations for the fiscal year ended January 31, 1996 was 44 percent compared with 29 percent (exclusive of the 1981 transaction) in the prior period. The higher effective tax rate resulted from the nondeductibility of goodwill amortization and the charge for reengineering activities, for which a tax benefit was not recognized in some countries where the charge was incurred. The income tax provision in the year ended January 31, 1995 included a charge of \$65 million attributable to the disallowance by the U.S. Tax Court of a loss on the Company's exchange of shares of Conoco Inc. for common stock of DuPont in 1981.

The minority interest expense of \$22 million represented the 20 percent minority interest in the after-tax income of MCA.

In the year ended January 31, 1996, income from discontinued DuPont activities included a \$3.2 billion after-tax gain on the redemption of the 156 million shares and \$68 million of after-tax dividend income. In the year ended January 31, 1995, income from the discontinued DuPont activities included \$264 million of after-tax dividend income and \$353 million of unremitted earnings (Seagram's share of DuPont's earnings not received as cash dividends).

Recreation Attributed and reported revenues each increased 11 percent during the six-month period ended June 30, 1996 but EBITDA declined from \$55 million to \$37 million. EBITDA as a percent of attributed revenues decreased from 26.4 percent to 16.0 percent. Attendance and per capita spending at both theme parks were higher in the period ended June 30, 1996 than the prior period. This is due in part to the successful openings of *Terminator 2: 3-D* at Universal Studios Florida, our 50 percent-owned joint venture, in May and *Jurassic Park – The Ride* in Universal Studios Hollywood in June. EBITDA was down substantially due to higher marketing spending and the timing of that spending in advance of the new attractions (which opened comparatively late in the period) and increased business development spending related to potential international expansion and the development of additional CityWalk entertainment complexes.

Publishing and Other Attributed revenues were up 10 percent to \$264 million and reported revenues increased seven percent to \$246 million, while EBITDA fell to

Earnings before the discontinued DuPont activities were \$174 million or \$0.46 per share in the year ended January 31, 1996 compared with \$194 million or \$0.52 per share in the prior year. Net income was \$3.4 billion or \$9.13 per share, including the discontinued DuPont activities, compared with \$736 million or \$1.98 per share in the prior year, which included a \$75 million after-tax charge for the cumulative effect of the adoption of FAS 112, relating to postemployment benefits.

Beverages

In the year ended January 31, 1996, the Beverages segment contributed \$6.7 billion to reported revenues and \$456 million to operating income, after a \$290 million charge related to reengineering activities.

Spirits and Wine The Spirits and Wine results were adversely affected by difficult market conditions in Europe. Spirits and Wine attributed revenues increased slightly while EBITDA, before the reengineering charge, decreased six percent. EBITDA as a percent of attributed revenues declined from 16.0 percent to 15.0 percent.

Case volumes declined three percent in the year ended January 31, 1996 principally from the reduction of trade inventories in Europe. Mumm Sekt, reflecting weakness in the German market, had an 18 percent decline in shipments. However, a number of the Company's premium brands showed strong unit gains, including Chivas Regal Scotch Whisky for which shipments grew three percent, Martell Cognac which increased volumes four percent on the strength of operations in Asia Pacific, and Crown Royal Canadian Whisky for which shipments increased five percent. Absolut Vodka showed 11 percent growth in shipments in the U.S. and 15 percent growth globally as we continued to expand our distribution of the brand.

Attributed revenues generated outside of North America accounted for approximately 69 percent of total attributed revenues. Europe and Africa, which accounted for 36 percent of total attributed revenues, remained the Company's largest geographic region. North American attributed revenues were 31 percent of total attributed Spirits and Wine revenues. Asia Pacific, our fastest growing region, increased to 23 percent of the total, while Latin America accounted for 10 percent of Spirits and Wine attributed revenues. (This geographic breakdown, which is used by management to measure the performance of marketing affiliates, excludes excise taxes, assigns sales to the region in which the purchaser is located and includes our proportionate share of the revenues of equity company affiliates. The geographic data contained in Note 12 of the Notes to the Consolidated Financial Statements include excise taxes as well as the Company's other operations, and are based upon the location of the legal entity which invoices the sale.)

The EBITDA decline was attributable to a 20 percent shortfall in Europe and Africa, partially mitigated by strong performances in Asia Pacific and the Americas. The weakness in Europe and Africa resulted primarily from the difficult trading conditions in Germany, Spain and Portugal. Asia Pacific continued its broad-based profit growth, particularly in greater China and South Korea. North America's results were driven largely by growth in Crown Royal Canadian Whisky, Captain Morgan Original Spiced Rum and Absolut Vodka. The improved contribution from Latin America was mainly the result of significantly higher profits in Venezuela.

Depreciation and amortization of assets was \$99 million in the year ended January 31, 1996 and \$90 million in the prior year. Amortization of goodwill was \$24 million and \$22 million in the years ended January 31, 1996 and 1995, respectively. Spirits and Wine capital expenditures rose to \$165 million from \$109 million in the prior year. Total assets were \$5,541 million at January 31, 1996 compared with \$5,390 million at January 31, 1995.

Fruit Juices and Other Attributed revenues for the total unit increased 19 percent to \$1.9 billion as Tropicana Dole Beverages had 22 percent higher revenues, including the partial year results of the juice beverage business acquired from Dole. Tropicana's attributed revenues rose eight percent, excluding revenues from the acquired Dole operations. EBITDA, before the reengineering charge, rose 23 percent to \$196 million reflecting strong performances in the Tropicana base businesses and the acquisition of the Dole juice beverage business. EBITDA as a percent of attributed revenues rose to 10.3 percent from 10.0 percent in the prior year.

Excluding the operations acquired from Dole, Tropicana's unit volume increased eight percent driven largely by an 11 percent increase in Pure Premium in North America and a 71 percent increase in international revenues. The Tropicana share of the U.S. chilled orange juice market was a record high 42 percent in fiscal 1996.

Depreciation and amortization of assets was \$55 million in the year ended January 31, 1996 and \$44 million in the prior year. Amortization of goodwill was \$27 million and \$24 million in the years ended January 31, 1996 and 1995, respectively. Capital expenditures for Fruit Juices and Other were \$92 million

in the year ended January 31, 1996 and \$47 million in the prior year. Total assets were \$2,062 million at January 31, 1996 compared with \$1,638 million at January 31, 1995.

Reengineering Activities In connection with a program to better position its beverage operations for strategic growth, the Company recorded a pretax charge of \$290 million in the quarter ended October 31, 1995. The charge related principally to the Company's global spirits and wine manufacturing, financial, marketing and distribution systems and included rationalization of facilities in the U.S. and Europe and other costs related to the redesign of processes associated with the fulfillment of customer orders and the organizational structure under which the Spirits and Wine business operates. The components of the \$290 million charge reflected a provision of \$100 million for severance costs, \$120 million for asset write-downs/impairments and \$70 million for facility rationalizations, including lease terminations, and other reengineering programs.

After giving effect to the charge, the Beverages segment reported EBITDA of \$669 million and operating income of \$456 million compared with EBITDA of \$968 million and operating income of \$781 million in the prior year. While the full magnitude of the cost savings associated with the charge will take several years to achieve, the benefits will build over time and management expects savings beginning in the fiscal year which began July 1, 1996. In addition, a significant portion of the cash outlays associated with the plan should be completed by June 30, 1997.

Entertainment

In the year ended January 31, 1996, MCA contributed \$3.1 billion to reported revenues and \$205 million to operating income, which represented MCA's results since the Company acquired its 80 percent interest in MCA in June 1995. Although the Company's reported financial results reflected only the partial year of MCA operations, in order to provide a basis of comparison, the discussion that follows is based upon MCA results for the 12 months ended December 31, 1995 compared with the prior year.

Filmed Entertainment Attributed revenues grew five percent to \$3.5 billion, and EBITDA increased to \$292 million from \$176 million. EBITDA as a percent of attributed revenues was 8.4 percent as compared with 5.3 percent in the prior year.

The motion picture group was driven by the successful worldwide performance of our summer pictures including *Casper*, *Apollo 13* and *Babe*. Our share of the domestic box office increased from 11 percent to almost 13 percent in 1995. Television operations benefited from higher sales of library product at improved margins, in addition to reduced losses on fewer new network and first-run syndication series. EBITDA of our 50 percent-owned joint venture, USA Networks, increased substantially due to higher advertising revenues, increased subscriber revenues and lower programming costs.

Music Entertainment The Music Entertainment Group faced difficult comparisons due to an exceptionally strong performance in 1994. Attributed revenues declined three percent to \$1,257 million, while EBITDA fell 36 percent to \$123 million. EBITDA as a percent of attributed revenues decreased from 14.8 percent in 1994 to 9.8 percent in 1995 as a result of increased investment in new label joint ventures and international expansion, and higher reserves to reflect weaker retail market conditions.

New releases in 1995 included albums by Live and White Zombie, and the *Dangerous Minds* soundtrack, following successful new albums in 1994 by The Eagles, Counting Crows, Aerosmith and Nirvana.

Recreation Attributed revenues increased two percent to \$447 million in 1995, while EBITDA decreased slightly to \$124 million from \$128 million. EBITDA as a percent of attributed revenues declined from 29.1 percent to 27.7 percent reflecting higher development spending and a nonrecurring gain realized in 1994.

Our theme parks were solid, despite competitive pressure from new attractions and aggressive marketing efforts at other theme parks. Universal Studios Hollywood had a four percent increase in per capita spending and one percent growth in attendance. Per capita spending at Universal Studios Florida was up slightly and attendance was essentially unchanged.

Publishing and Other Attributed revenues were up 11 percent to \$581 million, while EBITDA grew to \$54 million. Book publishing was higher due to successful new releases by a number of authors including Tom Clancy, Patricia Cornwell, Amy Tan and Charles Kuralt. Spencer Gifts had a very strong year, with comparable store sales up over nine percent. EBITDA also benefited from several favorable nonoperating income items.

Results of Operations

Year Ended January 31, 1995 vs. Year Ended January 31, 1994 In the year ended January 31, 1995, total reported revenues rose six percent as a result of increases by both Spirits and Wine, and Fruit Juices and Other. EBITDA increased three

percent due to improved Spirits and Wine operations, while operating results from Fruit Juices and Other declined. Corporate expenses for the fiscal year ended January 31, 1995 included \$35 million of expenses related to the Company's reengineering efforts. Operating income increased one percent to \$760 million before this charge, but declined to \$725 million after the charge.

Interest, net and other in the year ended January 31, 1995 included \$396 million of net interest expense, partially offset by \$34 million of dividend income from Time Warner and DuPont. In the year ended January 31, 1994, net interest expense was \$339 million and dividend income was \$20 million. The higher net interest expense reflected a higher average net debt resulting from financing the Time Warner investment, and an increase in average interest rates.

The effective income tax rate related to continuing business, and excluding the \$65 million charge related to the 1981 DuPont transaction, decreased from 35 percent to 29 percent because a greater proportion of the income was derived from countries with relatively lower tax rates.

In the year ended January 31, 1995, income from discontinued DuPont activities included \$264 million in after-tax dividend income and \$353 million of unremitted earnings. In the year ended January 31, 1994, after-tax dividend income was \$256 million and unremitted DuPont earnings reflected a loss of \$160 million, due to significant nonrecurring charges taken by DuPont.

Net income for the year ended January 31, 1995, was \$736 million, or \$1.98 per share, up 94 percent from the prior year reflecting improved DuPont results. Net income included a \$75 million after-tax charge for the cumulative effect of an accounting change relating to postemployment benefits.

Beverages

In the year ended January 31, 1995, reported revenues for the Beverages segment were \$6.4 billion and operating income was \$781 million.

Spirits and Wine Attributed revenues increased eight percent including the sales of Absolut Vodka. EBITDA grew five percent to \$809 million. EBITDA represented 16.0 percent of attributed revenues as compared with 16.4 percent in the year ended January 31, 1994. This decline was partially the result of higher sales from agency brands in the year ended January 31, 1995, primarily Absolut Vodka, as well as increased investment in our key brands and strategic markets.

Case volume grew six percent in the year ended January 31, 1995 as a number of the Company's premium brands showed strong unit gains including Chivas Regal Scotch Whisky, Martell Cognac and Passport Scotch Whisky.

The Company experienced strong revenue growth in North America and many key Far Eastern markets. Most Latin American affiliates suffered from difficult economic conditions. The year-on-year results in Europe were adversely affected by the loss of profits from agency brands that were terminated in France and Germany in 1993.

Fruit Juices and Other Attributed revenues rose five percent but EBITDA declined eight percent in the year ended January 31, 1995 as a result of weakness in the shelf-stable business in the U.S. and continued investment in international expansion. EBITDA as a percent of attributed revenues fell to 10.0 percent from 11.4 percent.

Tropicana's revenue growth resulted from the continued success of Pure Premium Grovestand Orange Juice and Pure Premium Grapefruit Juice, which were introduced in 1993, as well as the introduction of Pure Premium Ruby Red Orange Juice and the repositioning of the Season's Best line of from-concentrate juices. The combined Pure Premium and Season's Best share of the U.S. chilled orange juice market rose three percent to 41 percent in 1994. Unit volume increased 11 percent, including a 57 percent jump in international unit volumes.

Liquidity and Capital Resources

The Company's financial position remained strong during the Transition Period. The cash flow for the five months ended June 30, 1996 was impacted by seasonal factors which affect our businesses between January and June. In the five months from February 1 to June 30, 1996, net cash provided by continuing operations was \$903 million, following net cash provided of \$1,025 million in the twelve months ended January 31, 1996. The results for the Transition Period included significant noncash charges such as amortization of film costs, depreciation and amortization of assets and amortization of excess of cost over fair value of assets.

In addition, cash was generated by a substantial reduction in accounts receivable due to the collection of seasonally high receivables which were outstanding at January 31, 1996. The increases in net cash were partially offset by higher inventory requirements, largely reflecting a seasonal peak at Tropicana, and a reduction in accounts payable and accrued liabilities also related to the seasonality of our businesses.

Net cash used for investing activities was \$1.3 billion in the Transition Period. The major items which required cash included the investment in Interscope Records of \$200 million, the investment in Brillstein-Grey Entertainment of \$81 million and investments in unconsolidated companies including Cineplex Odeon Corporation and SEGA GameWorks. In addition, film production costs were \$626 million and total capital expenditures were \$305 million: Beverages—\$168 million, MCA—\$136 million and Corporate—\$1 million. In the twelve months ended January 31, 1996, investing activities provided \$875 million mainly attributable to the net after-tax cash proceeds of the DuPont redemption transaction which remained after the financing of the purchase of 80 percent of MCA and the \$273 million acquisition of the juice beverage operations of Dole.

In the Transition Period, the net result of cash provided by ongoing operations and used for investing activities, the payment of \$112 million of dividends, and the repurchase of \$68 million of the Company's common shares was an increase in net debt of \$562 million. This reflects an increase in short-term borrowings of \$916 million, partially offset by the early redemption of \$249 million of 9¾% Guaranteed Notes which were due in June 2000. In the twelve months ended January 31, 1996, net debt declined \$1.6 billion largely due to the repayment of debt with the proceeds from the DuPont redemption in excess of the funds used to finance acquisitions.

The Company's total long- and short-term debt, net of cash and short-term investments, increased to \$4.1 billion at June 30, 1996 from \$3.6 billion at January 31, 1996. The Company's ratio of net debt to total capitalization (including minority interest) increased from 24 percent to 27 percent, mainly because of the higher debt outstanding. Subsequent to June 30, 1996, the Company sold 156 million DuPont equity warrants back to DuPont for \$500 million in cash. The \$479 million of after-tax net proceeds have been used largely to repay debt. In addition, the Company's liquidity is enhanced by the investment in 14.5 percent of Time Warner stock which had a market value of \$2.2 billion on June 30, 1996. As previously indicated, we are evaluating our options, including a possible sale of this investment.

The Company's working capital position is reinforced by available credit facilities of \$3.8 billion. These facilities are used to support the Company's commercial paper borrowings and are available for general corporate purposes. The Company continues to utilize U.S. dollar-denominated commercial paper to fund seasonal working capital requirements in the U.S. and Canada. The Company also borrows in different currencies from other sources to meet the borrowing needs of its affiliates. The nature and amount of the Company's long-term and short-term debt can be expected

to vary as a result of future business requirements, market conditions and other factors.

The Company operates internationally, with manufacturing and sales facilities in various locations around the world. The Company continually evaluates its foreign currency exposure (primarily the British pound, French franc, and German mark), based on current market conditions and the business environment. In order to mitigate the effect of foreign currency risk, the Company engages in hedging activities. The magnitude and nature of such hedging activities are explained further in Note 8 to the financial statements.

The Company believes its internally generated liquidity together with access to external capital resources will be sufficient to satisfy existing commitments and plans, and to provide adequate financial flexibility to take advantage of potential strategic business opportunities should they arise.

Quarterly High and Low Share Prices

	Five Months Ended June 30, 1996		Fiscal Years Ended January 31,			
	High	Low	1996	1996	1995	1995
New York Stock Exchange						
First Quarter	US\$38½	US\$31¼	US\$32½	US\$25½	US\$31	US\$27
Second Quarter	36%	32½	36%	26%	32	28%
Third Quarter			38%	34%	32½	29%
Fourth Quarter			39½	34%	30%	27%
Canadian Stock Exchanges (Canadian Dollars)						
First Quarter	C\$52½	C\$43½	C\$45½	C\$35½	C\$42½	C\$37½
Second Quarter	49%	44%	50	36%	43%	38%
Third Quarter			52	46%	44%	39%
Fourth Quarter			53%	46%	43%	37%

Return to Shareholders

The Company had 8,092 registered shareholders at August 15, 1996. The Company's common shares are traded on the New York, Toronto, Montreal, Vancouver and London Stock Exchanges. Closing prices at June 30, 1996, on the New York and Toronto Stock Exchanges were \$33.63 and C\$45.75, respectively.

In the Transition Period dividends paid were \$0.15 per share per quarter. In the year ended January 31, 1996, the Company also paid dividends of \$0.15 per share in each of the four quarters. In the year ended January 31, 1995, the Company paid dividends of \$0.14 per share in the first two quarters and \$0.15 per share in the final two quarters. Dividends paid to shareholders totaled \$112 million in the Transition Period and \$224 million and \$216 million in the years ended January 31, 1996 and 1995, respectively.

Consolidated Statement of Income

U.S. dollars in millions, except per share amounts	Transition Period	Fiscal Years Ended January 31		
	Ended June 30, 1996	1995	1994	1993
Revenues	\$5,013	\$9,747	\$6,399	\$5,135
Cost of revenues	3,186	6,122	3,654	3,451
Selling, general and administrative expenses	1,648	3,041	2,420	1,833
Operating Income	179	584	725	754
Interest, net and other	114	215	352	319
	65	349	363	431
Provision (benefit) for income taxes — current year	52	155	104	151
— 1981 transaction	(67)		65	—
Minority interest	(5)	22	—	—
Income Before Discontinued DuPont Activities and Cumulative Effect of Accounting Change	85	177	174	235
Discontinued DuPont Activities:				
Dividends, after tax	—	68	264	150
Unremitted earnings (loss)	—	—	353	—
Gain on redemption of 156 million shares, after tax	—	3,164	—	—
	—	3,232	617	150
Income Before Cumulative Effect of Accounting Change	85	3,409	811	379
Cumulative effect of accounting change, after tax	—	—	175	—
Net Income	<u>\$ 85</u>	<u>\$ 3,409</u>	<u>\$ 986</u>	<u>\$ 379</u>
Earnings Per Share				
Income before discontinued DuPont activities and cumulative effect of accounting change	\$.23	\$.40	\$.52	\$.76
Discontinued DuPont activities, after tax	—	\$.67	1.00	.26
Income Before Cumulative Effect of Accounting Change	.23	.41	.88	1.02
Cumulative effect of accounting change, after tax	—	—	.10	—
Net Income	<u>\$.23</u>	<u>\$.41</u>	<u>\$ 1.08</u>	<u>\$ 1.02</u>

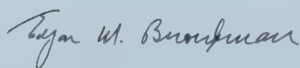
The accompanying notes are an integral part of these financial statements.

Consolidated Balance Sheet

<i>U.S. dollars in millions</i>	<i>June 30, 1996</i>	<i>1996</i>	<i>January 31, 1995</i>
Assets			
Current Assets			
Cash and short-term investments at cost	\$ 279	\$ 254	\$ 157
Receivables, net	1,770	2,276	1,328
Inventories	3,142	2,914	2,519
Film costs, net of amortization	471	510	—
DuPont warrants	440	—	—
Deferred income taxes	402	361	89
Prepaid expenses and other current assets	382	325	172
Total Current Assets	6,886	6,640	4,265
Common stock of DuPont	651	631	3,670
DuPont warrants	—	440	—
Common stock of Time Warner	2,228	2,356	2,043
Film costs, net of amortization	783	790	—
Artists' contracts, advances and other entertainment assets	646	712	—
Deferred charges and other assets	770	746	143
Property, plant and equipment, net	2,951	2,806	1,267
Investments in unconsolidated companies	2,162	1,936	57
Excess of cost over fair value of assets acquired	4,551	4,298	1,547
	\$21,628	\$21,355	\$12,992
Liabilities and Shareholders' Equity			
Current Liabilities			
Short-term borrowings and indebtedness payable within one year	\$ 1,850	\$ 936	\$ 2,475
Accrued royalties and participations	602	642	—
Payables and accrued liabilities	2,086	2,164	1,423
Income and other taxes	149	112	193
Total Current Liabilities	4,687	3,854	4,091
Long-term indebtedness	2,562	2,889	2,841
Accrued royalties and participations	388	404	—
Deferred income taxes	623	696	52
Deferred income taxes — DuPont share redemption	1,540	1,489	—
Other credits	784	851	488
Minority interest	1,839	1,844	11
Shareholders' Equity			
Shares without par value	725	709	638
Cumulative currency translation adjustments	(246)	(268)	(359)
Cumulative gain (loss) on equity securities, net of tax	337	407	(85)
Retained earnings	8,389	8,480	5,315
Total Shareholders' Equity	9,205	9,328	5,509
	\$21,628	\$21,355	\$12,992

The accompanying notes are an integral part of these financial statements.

Approved by the Board



Edgar M. Bronfman

Director



C.E. Medland

Director

Consolidated Statement of Cash Flows

U.S. dollars in millions	Transition Period Ended June 30, 1996	1996	Fiscal Years Ended January 31, 1995		1994
Operating Activities					
Income Before Discontinued DuPont Activities and Cumulative Effect of Accounting Change	\$ 85	\$ 174	\$ 194	\$ 188	\$ 188
Adjustments to Reconcile Income Before Discontinued DuPont Activities and Cumulative Effect of Accounting Change to Net Cash Provided:					
Amortization of film costs	524	642	-	-	-
Depreciation and amortization of assets	158	255	138	-	123
Amortization of excess of cost over fair value of assets acquired	84	113	40	-	41
Minority interest (credited) charged to income	(5)	22	-	-	-
Sundry	4	20	23	-	3
Changes in assets and liabilities:					
Receivables, net	532	(172)	(157)	-	(174)
Inventories	(212)	(137)	(23)	-	21
Prepaid expenses and other current assets	(59)	(19)	(6)	-	(7)
Artists' contracts, advances and other entertainment assets	35	74	-	-	-
Payables and accrued liabilities	(243)	140	303	-	8
Income and other taxes payable	55	(105)	38	-	14
Deferred income taxes	15	14	114	-	17
Other credits	(70)	4	47	-	16
	818	851	325	-	187
Net Cash Provided by Continuing Operations	903	1,025	519	-	407
Investing Activities					
Discontinued DuPont activities:					
Dividends, net of taxes paid	-	68	231	-	283
Proceeds from redemption of shares, net of taxes paid	-	7,729	-	-	-
Purchase of 80 percent interest in MCA	-	(5,523)	-	-	-
Film production	(626)	(684)	-	-	-
Capital expenditures	(305)	(433)	(172)	-	(613)
Investment in Interscope Records	(200)	-	-	-	-
Investment in Brillstein-Grey Entertainment	(81)	-	-	-	-
Investment in unconsolidated companies	(127)	-	-	-	-
Purchase of Dole juice beverage business	-	(273)	-	-	-
Purchase of Time Warner common stock	-	-	(474)	-	(1,695)
Increase in DuPont investment related to 1981 transaction	-	-	(162)	-	-
Sundry	10	(9)	(93)	-	(128)
Net Cash (Used for) Provided by Investing Activities	(1,329)	875	(637)	-	(1,730)
Financing Activities					
Dividends paid	(112)	(224)	(216)	-	(209)
Issuance of shares upon exercise of stock options and conversion of LYONs	20	72	22	-	26
Shares purchased and retired	(68)	(18)	(23)	-	(61)
Increase in long-term indebtedness	36	214	3	-	605
Decrease in long-term indebtedness	(341)	(251)	(252)	-	(404)
Increase (decrease) in short-term borrowings and indebtedness payable within one year	916	(1,596)	610	-	1,018
Net Cash Provided by (Used for) Financing Activities	451	(1,803)	144	-	1,278
Net Increase in Cash and Short-term Investments	\$ 25	\$ 97	\$ 26	\$ -	\$ 15

The accompanying notes are an integral part of these financial statements.

Consolidated Statement of Shareholders' Equity

U.S. dollars in millions, except per share amounts	Shares Without Par Value		Cumulative Currency Translation Adjustments	Cumulative Gain (Loss) on Equity Securities	Retained Earnings
	Number (thousands)	Amount			
January 31, 1993	373,690	\$ 595	\$ (369)		\$ 4,704
Fiscal year ended January 31, 1994					
Net income					379
Dividends paid (\$.56 per share)					(209)
Change in currency translation adjustments			(110)		
Change in market value of equity securities, net of \$26 tax liability				\$ 46	
Shares issued — exercise of stock options	1,115	26			
— conversion of LYONs	14	—			
Shares purchased and retired	(2,330)	(4)			(57)
January 31, 1994	372,489	617	(479)	46	4,817
Fiscal year ended January 31, 1995					
Net income before cumulative effect of accounting change					811
Cumulative effect of accounting change					(75)
Dividends paid (\$.58 per share)					(216)
Change in currency translation adjustments			120		
Change in market value of equity securities, net of \$70 tax benefit				(131)	
Shares issued — exercise of stock options	827	21			
— conversion of LYONs	31	1			
Shares purchased and retired	(810)	(1)			(22)
January 31, 1995	372,537	638	(359)	(85)	5,315
Fiscal year ended January 31, 1996					
Net income					3,406
Dividends paid (\$.60 per share)					(224)
Change in currency translation adjustments			91		
Change in market value of equity securities, net of \$265 tax liability				492	
Shares issued — exercise of stock options	2,056	57			
— conversion of LYONs	550	15			
Shares purchased and retired	(681)	(1)			(17)
January 31, 1996	374,462	709	(268)	407	\$ 8,480
Transition period ended June 30, 1996					
Net income					85
Dividends paid (\$.30 per share)					(112)
Change in currency translation adjustments			22		
Change in market value of equity securities, net of \$38 tax benefit				(70)	
Shares issued — exercise of stock options	612	18			
— conversion of LYONs	57	2			
Shares purchased and retired	(2,072)	(4)			(64)
June 30, 1996	<u>373,059</u>	<u>\$ 725</u>	<u>\$ (246)</u>	<u>\$ 337</u>	<u>\$ 8,389</u>

The accompanying notes are an integral part of these financial statements.

Summary of Significant Accounting Policies

The Seagram Company Ltd. operates in two global business segments: beverages and entertainment. The beverage businesses are engaged principally in the production and marketing of distilled spirits, wines, fruit juices, coolers, beers and mixers. The entertainment company, MCA INC., produces and distributes motion picture, television and home video products, and recorded music; operates theme parks and retail stores; and publishes books.

More than 50 percent of the Company's shares are held by U.S. residents and, therefore, the Company has prepared its consolidated financial statements in accordance with U.S. generally accepted accounting principles (GAAP) which, in their application to the Company, conform in all material respects to GAAP in Canada. Differences between U.S. and Canadian GAAP and the magnitude thereof are discussed in Note 16. Should a material difference arise in the future, financial statements will be provided under both U.S. and Canadian GAAP.

Principles of Consolidation The consolidated financial statements include the accounts of The Seagram Company Ltd. and its subsidiaries. The equity method is used to account for unconsolidated affiliates owned 20 percent or more. In conformity with GAAP, management has made estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Actual results could differ from those estimates.

Foreign Currency Translation Except for operations in highly inflationary economies, affiliates outside the U.S. operating in the beverages segment use the local currency as the functional currency. For affiliates in countries considered to have a highly inflationary economy, inventories and property, plant and equipment are translated at historical exchange rates and translation effects are included in net income.

Affiliates outside the U.S. operating in the entertainment segment principally use the U.S. dollar as the functional currency.

Inventories Inventories are stated at cost, which is not in excess of market, and consist principally of spirits, wines and fruit juices. The cost of spirits, wines and fruit juices inventories is determined by either the last-in, first-out (LIFO) method or the identified cost method.

The Company's general practice is to expense, as incurred, costs associated with the ageing of spirits and wines. In accordance with industry practice, current assets

include spirits and wines which, in the Company's normal business cycle, are aged for varying periods of years.

The cost of music, publishing, retail and home video inventories is determined by the first-in, first-out (FIFO) method.

Revenues and Costs

Film Generally, theatrical films are first distributed in the worldwide theatrical and home video markets. Subsequently, theatrical films are made available for worldwide pay television, network exhibition, television syndication and basic cable television. Generally, television films are first licensed for network exhibition and foreign syndication or home video, and subsequently for domestic syndication or cable television. Certain television films are produced and/or distributed directly for initial exhibition by local television stations, advertiser-supported cable television, pay television and/or home video.

Revenues from the theatrical distribution of films are recognized as the films are exhibited. Revenues from television and pay television licensing agreements are recognized when the films are available for telecast. Revenues from the sale of home video product, net of provision for estimated returns and allowances, are recognized upon availability of product for retail sale.

Generally, the estimated ultimate costs of completed theatrical and television film productions (including applicable capitalized overhead) are amortized and participation expenses are accrued for each production in the proportion of revenue recognized by the Company during the year to the total estimated future revenue to be received from all sources, under the individual film forecast method. Estimated ultimate revenues and costs are reviewed quarterly and revisions to amortization rates or write-downs to net realizable value may occur.

Film costs, net of amortization, classified as current assets include the portion of unamortized costs of completed theatrical films allocated to theatrical, home video and pay television distribution markets; television films in production which are under contract of sale; and a portion of costs of completed television films. The allocated portion of released film costs expected to be realized from secondary markets or other exploitation is reported as a noncurrent asset. Other costs relating to film production, including the purchase price of literary properties and related film development costs, and the film library are classified as noncurrent assets. Abandoned story and development costs are charged to film

production overhead. Film costs are stated at the lower of unamortized cost or estimated net realizable value as periodically determined on a film-by-film basis. Approximately \$300 million of the cost of the MCA acquisition was allocated to the film library and is being amortized on a straight-line basis principally over a 20 year life.

Recorded Music and Book Publishing Revenues from the sale of recorded music and books, net of provision for estimated returns and allowances, are recognized upon shipment. Advances to established recording artists and writers and direct costs associated with the creation of record masters and books are capitalized and are charged to expense as the related royalties are earned or when the amounts are determined to be unrecoverable. The advances are expensed when past performance or current popularity does not provide a sound basis for estimating that the advance will be recouped from royalties to be earned. Approximately \$400 million of the cost of the MCA acquisition was allocated to artists' contracts, music catalogs and copyrights and is being amortized, on an accelerated basis, over a 14 to 20 year life.

Property, Plant and Equipment Property, plant and equipment is carried at cost. Depreciation is determined for financial reporting purposes using the straight-line method over estimated useful asset lives, generally at annual rates of 2–10 percent for buildings, 4–33 percent for machinery and equipment and 2–20 percent for other assets.

Excess of Cost Over Fair Value of Assets Acquired and Other Intangible Assets The unallocated excess of cost of purchased businesses over the fair value of assets acquired, the excess of investments in unconsolidated companies over the underlying equity in tangible net assets acquired and other intangible assets are being amortized on a straight-line basis principally over 40 years from the date of acquisition. The Company reviews the carrying value of goodwill for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Measurement of any impairment would include a comparison of discounted estimated future operating cash flows anticipated to be generated during the remaining amortization period of the goodwill to the net carrying value of goodwill.

Income Taxes Deferred tax assets and liabilities are recognized based on differences between the financial statement and tax bases of assets and liabilities using presently enacted tax rates. Deferred taxes are not provided for that portion of undistributed earnings of foreign subsidiaries which is considered to be permanently reinvested.

Benefit Plans Retirement pensions are provided for substantially all of the Company's employees through either defined benefit or defined contribution plans sponsored by the Company or unions representing employees. For Company-sponsored defined benefit plans, pension expense and plan contributions are determined by independent consulting actuaries; pension benefits under defined benefit plans generally are based on years of service and compensation levels near the end of employee service. The funding policy for tax-qualified pension plans is consistent with statutory funding requirements and regulations. Contributions to defined contribution plans are funded and expensed currently. Postretirement health care and life insurance are provided to a majority of nonunion employees in the U.S.. Postemployment programs, principally severance, are provided for the majority of nonunion employees. The cost of these programs is accrued based on actuarial studies. There is no advance funding for postretirement or postemployment benefits.

Stock-based Compensation Compensation cost attributable to stock option and similar plans is recognized based on the difference, if any, between the quoted market price of the stock on the date of grant over the exercise price of the option. The Company does not issue options at prices below market value at date of grant.

Financial Instruments The Company occasionally uses foreign exchange contracts to hedge a portion of its foreign indebtedness. To reduce foreign currency risk on intercompany payments, the Company hedges through currency forwards and options. Gains and losses on forward contracts are deferred and offset against foreign exchange gains and losses on the underlying hedged transaction.

Reclassifications Certain prior year amounts in the financial statements and notes have been reclassified to conform with the current period presentation.

Notes to Consolidated Financial Statements

Note 1 Fiscal Year Change

Effective June 30, 1996, the Company changed its fiscal year-end from January 31 to June 30. Accordingly, the consolidated financial statements include the results of operations for the transition period, which are not necessarily indicative of operations for a full year.

Results for the comparable prior year period are summarized below.

	<i>Five Months Ended June 30, 1995</i>
<i>millions, except per share amounts (unaudited)</i>	
Revenues	\$2,715
Operating income	256
Provision for income taxes	63
Income before discontinued DuPont activities	117
Discontinued DuPont activities, after tax	3,232
Net income	3,349
Earnings per share	
Income before discontinued DuPont activities	\$.32
Discontinued DuPont activities, after tax	8.67
Net income	8.99

Note 2 DuPont Share Redemption and Remaining DuPont Investment

On April 6, 1995, E.I. du Pont de Nemours and Company ("DuPont") redeemed 156 million shares of its common stock owned by the Company for \$8.336 billion plus share purchase warrants which the Company valued as of the date of the transaction at \$440 million. The Company received after-tax proceeds of approximately \$7.7 billion from the transaction. The \$3.2 billion gain on the transaction was net of a \$2 billion tax provision of which \$1.5 billion was deferred. The Company has retained 8.2 million shares of DuPont common stock, which were carried at their market value of \$651 million at June 30, 1996. The warrants were sold to DuPont for \$500 million in July 1996, and therefore, are classified as a current asset at June 30, 1996. The gain on the sale of

the warrants was \$60 million (\$39 million after tax) and will be reflected in the Company's results in the fiscal quarter ending September 30, 1996. The underlying historical value of the remaining DuPont shares is \$187 million which represents the historical cost of the retained shares plus unremitted earnings related to those shares.

At January 31, 1995, the Company owned 164.2 million shares (approximately 24 percent) of the outstanding common stock of DuPont and accounted for its interest in DuPont using the equity method, whereby its proportionate share of DuPont's earnings was included in income. Financial information for DuPont for the two fiscal years ended December 31, 1994 follows.

DuPont Financial Information

<i>millions</i>	<i>Years Ended December 31</i>	
	1994	1993
Sales and other income	\$40,259	\$37,841
Cost of goods sold and all other expenses	35,877	36,883
Provision for income taxes	1,655	392
Income before extraordinary item	2,727	566
Extraordinary charge from early extinguishment of debt	—	(11)
Net income	<u>\$ 2,727</u>	<u>\$ 555</u>

	<i>December 31, 1994</i>
Current assets	\$11,108
Noncurrent assets	25,784
	<u>\$36,892</u>
Current liabilities	\$ 7,565
Noncurrent liabilities	16,505
Stockholders' equity	12,822
	<u>\$36,892</u>

Note 3 Acquisition of 80 Percent Interest in MCA Holding I Corp.

On June 5, 1995, the Company completed its purchase of an 80 percent interest in MCA Holding I Corp. ("MCA"), the indirect parent of MCA INC., from Matsushita Electric Industrial Co., Ltd. ("Matsushita") for \$5.7 billion. Matsushita retains a 20 percent interest in MCA.

The acquisition has been accounted for under the purchase method of accounting. The cost of the acquisition has been allocated on the basis of the estimated fair market value of the assets acquired and liabilities assumed. This valuation resulted in \$2.6 billion of unallocated excess of cost over fair value of assets acquired which is being amortized over 40 years.

The unaudited condensed pro forma results of operations data presented below assume the MCA acquisition and the redemption of 156 million shares of DuPont common stock occurred at the beginning of each period presented. The unaudited condensed pro forma results of operations data were prepared based upon the historical consolidated statements of operations of the Company for the fiscal years ended January 31, 1996 and 1995, and of MCA for the five months ended May 31, 1995 and the twelve months ended December 31, 1994, adjusted to reflect purchase accounting. Financial results for MCA for the seven-month period June 1995 through December 1995 were included in the Company's results for the fiscal year ended January 31, 1996. The unaudited pro forma information is not necessarily indicative of the combined results of operations of the Company and MCA that would have resulted if the transactions had occurred on the dates previously indicated, nor is it necessarily indicative of future operating results of the Company.

Pro Forma Income Statement Data

<i>millions, except per share amounts (unaudited)</i>	<i>Fiscal Years Ended January 31,</i>	
	1996	1995
Revenues	\$11,667	\$11,217
Income before cumulative effect of accounting change	\$ 154	\$ 346
Cumulative effect of accounting change	—	(75)
Net income	\$ 154	\$ 271
Per share data:		
Income before cumulative effect of accounting change	\$.41	\$.93
Cumulative effect of accounting change	—	(.20)
Net income	\$.41	\$.73

The above pro forma presentation excludes the \$3.2 billion after-tax gain on the redemption of the DuPont shares.

Note 4 Acquisition of the Juice Beverage Business of the Dole Food Company, Inc. ("Dole")

On May 19, 1995, the Company acquired the worldwide juice and juice beverage business of Dole for \$276 million. The transaction excluded Dole's canned pineapple juice business. The reported operating results for the fiscal year ended January 31, 1996 reflect the results of operations of the acquired business from the acquisition date. The acquisition has been accounted for under the purchase method of accounting. The cost of the acquisition has been allocated on the basis of the estimated fair market value of the assets acquired and liabilities assumed. This valuation resulted in \$134 million of unallocated excess cost over fair value of assets acquired which is being amortized over 40 years. The impact of this acquisition was not material to the consolidated results of the Company.

Note 5 Investment in Time Warner Inc. ("Time Warner")

At June 30, 1996, the Company owned 56.8 million shares or 14.5 percent of the outstanding common stock of Time Warner. The Company accounts for the investment at market value. The total cost of this investment was \$2.17 billion.

Note 6 Investments in Unconsolidated Companies

The Company has a number of investments in unconsolidated companies which are 50 percent or less owned or controlled and are carried in the consolidated balance sheet on the equity method.

Entertainment Segment Significant investments at June 30, 1996 include USA Networks, owner of three advertiser-supported cable television services, USA Network, the Sci-Fi Channel, and Sci-Fi Europe (50 percent owned); Cineplex Odeon Corporation, primarily engaged in theatrical exhibition of motion pictures in the U.S. and Canada (42 percent equity interest); United International Pictures, a distributor of theatrical and pay television product outside the U.S. and Canada (33 percent owned); Cinema International BV, primarily engaged in marketing of home video product outside the U.S. and Canada (49 percent owned); Cinema

International Corporation and United Cinemas International, both engaged in theatrical exhibition of motion pictures in territories outside the U.S. and Canada (49 percent owned); Universal City Florida Partners, which owns Universal Studios Florida, a motion picture and television themed tourist attraction and production facility in Orlando, Florida (50 percent owned); Universal City Development Partners, which has begun development on land adjacent to Universal Studios Florida of an additional themed tourist attraction and commercial real estate (50 percent owned).

Beverages Segment Significant investments at June 30, 1996 include Doosan Seagram Co., Ltd., which is engaged in the production and marketing of whisky products in South Korea (50 percent owned); Seagram (Thailand) Limited, an importer and distributor of spirits and wines (49 percent owned); Kirin-Seagram Limited, engaged in the manufacture, sale and distribution of distilled beverage alcohol and wines in Japan (50 percent owned); and Kirin-Tropicana Inc., engaged in the manufacture, sale and distribution, import and export of fruit juice beverages (50 percent owned).

Summarized financial information, derived from unaudited historical financial information, is presented below for the Company's investments in unconsolidated companies.

Summarized Balance Sheet Information

<i>millions</i>	<i>June 30, 1996</i>	<i>January 31, 1996</i>
Current assets	\$1,290	\$1,102
Noncurrent assets	2,317	2,219
Total assets	\$3,607	\$3,321
Current liabilities	\$1,049	\$ 920
Noncurrent liabilities	1,219	1,254
Equity	1,339	1,147
Total liabilities and equity	\$3,607	\$3,321
Proportionate share of net assets of unconsolidated companies	\$ 612	\$ 549

Summarized Statement of Operations

<i>millions</i>	<i>Transition Period Ended June 30, 1996</i>	<i>Fiscal Year Ended January 31, 1996</i>
Revenues	\$2,168	\$2,851
Earnings before interest and taxes	188	214
Net income	129	137

The Company's operating income includes \$57 million and \$72 million in equity in the earnings of unconsolidated companies for the transition period ended June 30, 1996, and the fiscal year ended January 31, 1996, respectively, principally in the entertainment segment.

Note 7 Credit Arrangements and Long-term Indebtedness

At June 30, 1996, short-term borrowings comprised \$315 million of bank borrowings and \$1.4 billion of commercial paper, bearing interest at market rates. The Company's unused lines of credit totaled \$3.8 billion and have varying terms of up to five years. A portion of these lines of credit support outstanding commercial paper.

Long-term Indebtedness

<i>millions</i>	<i>June 30, 1996</i>	<i>January 1996</i>	<i>1995</i>
9% Debentures due December 15, 1998 (C\$200 million)*	\$ 156	\$ 156	\$ 5
Unsecured term bank loans, due 1996 to 1999, with a weighted average interest rate of 4.78%	251	267	—
6.5% Debentures due April 1, 2003	200	200	200
8.35% Debentures due November 15, 2006	200	200	200
8 3/4% Guaranteed Debentures due February 15, 2007	200	200	200
7% Guaranteed Debentures due April 15, 2008	200	200	200
8 7/8% Guaranteed Debentures due September 15, 2011	223	223	223
9.65% Guaranteed Debentures due August 15, 2018	249	249	249
9% Guaranteed Debentures due August 15, 2021	198	198	198
8.35% Debentures due January 15, 2022	199	199	199
6.875% Debentures due September 1, 2023	200	200	200
6% Swiss Franc Bonds due September 30, 2085 (SF 250 million)	200	206	195
7.83% to 9 1/4% Guaranteed Notes	—	249	748
Sundry	217	195	127
	2,693	2,942	3,095
Indebtedness payable within one year	(131)	(53)	(254)
	\$2,562	\$2,889	\$2,841

*All principal and interest payments for these 9% Debentures were converted at issuance through a series of currency exchange contracts from Canadian dollars to U.S. dollars with an effective interest rate of 7.7%.

Joseph E. Seagram & Sons, Inc. ("JES"), the Company's U.S. spirits and wine subsidiary, has outstanding \$17 million of Liquid Yield Option Notes (LYONs), which are zero coupon notes with no interest payments due until maturity on March 5, 2006. Each \$1,000 face amount LYON may be converted, at the holder's option, into 18.44 of the Company's common shares (648,609 shares at June 30, 1996). The Company has guaranteed the LYONs on a subordinated basis.

In addition, the Company has unconditionally guaranteed JES's 8 $\frac{3}{8}$ percent Debentures due February 15, 2007, 7 percent Debentures due April 15, 2008, 8 $\frac{7}{8}$ percent Debentures due September 15, 2011, 9.65 percent Debentures due August 15, 2018 and 9 percent Debentures due August 15, 2021.

Interest expense on long-term indebtedness was \$96 million in the transition period ended June 30, 1996, and \$236 million and \$246 million in the fiscal years ended January 31, 1996 and 1995, respectively. Annual repayments and redemptions of long-term indebtedness for the five fiscal years subsequent to June 30, 1996 are: 1997—\$131 million; 1998—\$15 million; 1999—\$308 million; 2000—\$35 million; and 2001—\$1 million.

Summarized below is the JES financial information:

	Transition Period Ended June 30, 1996	Fiscal Years Ended January 31, 1996 1995 1994		
millions				
Revenues	\$ 1,362	\$ 4,031	\$ 4,566	\$ 3,787
Cost of revenues	1,062	2,976	3,125	2,405
Income before discontinued DuPont activities and cumulative effect of accounting change	57	43	60	100
Discontinued DuPont activities, after tax	—	3,232	617	96
Cumulative effect of accounting change	—	—	(56)	—
Net income	\$ 57	\$ 3,275	\$ 621	\$ 196
	June 30, 1996	1996	1995	
Current assets	\$ 1,348	\$ 1,412	\$ 2,313	
Noncurrent assets	11,702	11,442	8,688	
	\$13,050	\$12,854	\$11,001	
Current liabilities	\$ 1,028	\$ 720	\$ 2,549	
Noncurrent liabilities	3,175	3,357	2,478	
Shareholder's equity	8,847	8,777	5,974	
	\$13,050	\$12,854	\$11,001	

Note 8 Financial Instruments and Equity Securities

The Company selectively uses foreign currency forward and option contracts to offset the effects of exchange rate changes on cash flow exposures denominated in foreign currencies. These exposures include intercompany trade accounts, service fees, intercompany loans and third-party debt. The Company does not use derivative financial instruments for trading or speculative purposes.

The notional amount of forward exchange contracts and options is the amount of foreign currency bought or sold at maturity and is not a measure of the Company's exposure through its use of derivatives.

At June 30, 1996, the Company held foreign currency forward contracts to purchase and sell foreign currencies, including cross-currency contracts to sell one foreign currency for another currency, with notional amounts totalling \$304 million. The notional amounts of these contracts, which mature at various dates through December 1998, are summarized below:

millions	Buy	Sell
Canadian dollar	\$177	\$ —
German mark	—	8
British pound	—	14
U.S. dollar	42	3
New Zealand dollar	20	—
French franc	—	6
Australian dollar	—	7
Italian lira	—	20
Other currencies	—	7
	\$239	\$ 65

The Company minimizes its credit exposure to counterparties by entering into contracts only with highly rated commercial banks or financial institutions and by distributing the transactions among the selected institutions. Although the Company's credit risk is the replacement cost at the then-estimated fair value of the instrument, management believes that the risk of incurring losses is remote and that such losses, if any, would not be material. The market risk related to the foreign exchange agreements should be offset by changes in the valuation of the underlying items being hedged.

Fair Value of Financial Instruments

The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments.

Cash and short-term investments The carrying amount reported in the balance sheet for cash and short-term investments approximates their fair value.

Foreign currency exchange contracts The fair value of forward exchange contracts is based on quoted market prices from banks.

Short- and long-term debt The carrying amounts of commercial paper and short-term bank loans approximate their fair value. The fair value of the Company's long-term debt is estimated based on the quoted market prices for similar issues.

millions	June 30, 1996	
	Carrying Amount	Fair Value
Cash and short-term investments	\$ 279	\$ 279
Foreign currency exchange contracts	(15)	(15)
Short-term debt	1,850	1,850
Long-term debt	2,562	2,741

Equity Securities

The following is a summary of available-for-sale securities:

millions	June 30, 1996	January 31, 1996 1995	
		1996	1995
Cost	\$2,357	\$2,357	\$2,170
Gross Unrealized Gain	522	630	—
Gross Unrealized Loss	—	—	(127)
Fair Value	2,879	2,987	2,043

Note 9 Common Shares, Earnings Per Share and Stock Options

The Company is authorized to issue an unlimited number of common and preferred shares without nominal or par value. At June 30, 1996, 29,734,847 common shares were potentially issuable upon the conversion of the LYONs and the exercise of employee stock options. The dilutive effect on earnings per share from the assumed issuance of these shares would be less than three percent. Net income per share was based on the following weighted average number of shares outstanding during the fiscal period ended June 30, 1996—373,857,915; January 31, 1996—373,116,794; 1995—372,499,060; and 1994—373,050,863.

In the fiscal year ended January 31, 1996, the Company granted 66,500 restricted shares with a weighted average grant-date fair value of \$35.69 per share. These shares have voting and dividend rights; however, sale of the

shares is restricted prior to vesting. Restrictions on 33,250 of the restricted shares will lapse on each of October 1, 1996 and October 1, 1997.

Stock Option Plans

Under the Company's employee stock option plans, options may be granted to purchase the Company's common shares at not less than the fair market value of the shares on the date of the grant. Currently outstanding options become exercisable one to five years from the grant date and expire 10 years after the grant date.

The Company has adopted Financial Accounting Standard No. 123, "Accounting for Stock-Based Compensation" (FAS 123). In accordance with the provisions of FAS 123, the Company applies APB Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations in accounting for its plans and does not recognize compensation expense for its stock-based compensation plans other than for restricted stock. If the Company had elected to recognize compensation expense based upon the fair value at the grant date for awards under these plans consistent with the methodology prescribed by FAS 123, the Company's net income and earnings per share would be reduced to the pro forma amounts indicated below:

millions, except per share amounts	Fiscal Year	
	Transition Period Ended June 30, 1996	Ended January 31, 1996
Net Income:		
As reported	\$ 85	\$3,406
Pro forma	73	3,383
Earnings per common share:		
As reported	\$.23	\$ 9.13
Pro forma	.19	9.07

These pro forma amounts may not be representative of future disclosures since the estimated fair value of stock options is amortized to expense over the vesting period, and additional options may be granted in future years. The fair value for these options was estimated at the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions for the transition period ended June 30, 1996 and the fiscal year ended January 31, 1996, respectively: dividend yields of 1.8 and 1.9 percent; expected volatility of 22 and 20 percent; risk-free interest rates of 6.0 and 6.6 percent; and expected life of six years for both periods. The weighted average fair value of options granted during the transition period ended June 30, 1996 and the fiscal year ended

January 31, 1996 for which the exercise price equals the market price on the grant date was \$9.13 and \$8.86, respectively. The weighted average fair value of options granted during the transition period ended June 30, 1996 for which the exercise price exceeded the market price on the grant date was \$6.41.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

Transactions involving stock options are summarized as follows:

Description	Stock Options Outstanding	Weighted Average Exercise Price of Options Outstanding
Balance, January 31, 1993	12,226,342	\$22.70
Granted	5,403,425	27.42
Exercised	(1,115,300)	19.69
Cancelled	(240,440)	27.51
Balance, January 31, 1994	16,274,027	24.40
Granted	3,677,695	30.56
Exercised	(827,040)	23.42
Cancelled	(219,880)	28.85
Balance, January 31, 1995	18,904,802	25.59
Granted	6,293,023	31.94
Exercised	(2,055,830)	24.37
Cancelled	(140,840)	29.96
Balance, January 31, 1996	23,001,155	27.45
Granted	6,757,978	35.41
Exercised	(611,855)	25.97
Cancelled	(61,040)	31.56
Balance, June 30, 1996	29,086,238	29.33

The following table summarizes information concerning currently outstanding and exercisable stock options:

Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
\$10-\$20	3,169,492	3.1 yrs.	\$17.89	3,169,492	\$17.89
\$20-\$30	10,500,060	6.2	26.94	8,980,060	26.85
\$30-\$40	14,666,686	8.9	32.57	6,664,988	30.42
\$40-\$50	750,000	9.8	47.70	—	—
	29,086,238			18,814,540	

Note 10 Income Taxes

The following tables summarize the sources of pretax income and the resulting income tax expense.

Geographic Components of Pretax Income

	Transition Period Ended June 30, 1996	1996	Fiscal Years Ended January 31, 1995	1994
<i>millions</i>				
U.S.	\$ (133)	\$ 82	\$ (24)	\$ (22)
Canada	(24)	17	15	37
Other jurisdictions	222	250	372	420
Income before minority interest and discontinued DuPont activities	65	349	363	435
Discontinued DuPont activities	—	5,283	637	114
Income before minority interest	\$ 65	\$5,632	\$1,000	\$549

Components of Income Tax Expense

	Transition Period Ended June 30, 1996	1996	Fiscal Years Ended January 31, 1995	1994
<i>millions</i>				
Income tax expense (benefit) applicable to:				
Continuing operations	\$ 52	\$ 153	\$ 104	\$152
1981 transaction*	(67)	—	65	—
Discontinued DuPont activities	—	2,051	20	19
Total income tax expense (benefit)	\$ (15)	\$2,204	\$ 189	\$171

*The 1981 transaction relates to a loss disallowed by the U.S. Tax Court on the exchange of common stock of Conoco Inc. for DuPont. In June, 1996, the Company and the IRS reached a settlement whereby a portion of the original loss was allowed.

Current

Continuing operations				
Federal	\$ (14)	\$ 26	\$ (12)	\$ (34)
State and local taxes	6	19	—	—
1981 transaction	(105)	—	188	—
Other jurisdictions	83	94	107	169
	(30)	139	283	135
Discontinued DuPont activities	—	612	20	19
	(30)	751	303	154

Deferred

Continuing operations				
Federal	(8)	39	4	34
State and local	(2)	(2)	—	—
1981 transaction	38	—	(123)	—
Other jurisdictions	(13)	(23)	5	(17)
	15	14	(114)	17
Discontinued DuPont activities	—	1,439	—	—
	15	1,453	(114)	17
Total income tax expense (benefit)	\$ (15)	\$2,204	\$ 189	\$ 171

Components of Net Deferred Tax Liability (Asset)

<i>millions</i>	<i>June 30,</i> <i>1996</i>	<i>January 31,</i>	
		<i>1996</i>	<i>1995</i>
Basis and amortization differences	\$ 471	\$ 428	\$ 106
DuPont share redemption	1,540	1,489	-
Time Warner and DuPont investments	183	220	6
Unremitted foreign earnings	27	17	-
Other, net	86	80	11
Deferred tax liabilities	2,307	2,234	123
Employee benefits	(102)	(101)	(92)
Tax credit carryovers	(172)	(150)	-
Valuation, doubtful accounts and return reserves	(323)	(269)	(8)
Other, net	(99)	(24)	(60)
Deferred tax assets	(696)	(544)	(160)
Valuation allowance	150	134	-
	(546)	(410)	(160)
Net deferred tax liability (asset)	\$1,761	\$1,824	\$ (37)

The Company has U.S. tax credit carryovers of \$172 million; \$30 million of which have no expiration date and \$142 million of which have expiration dates through 2005. The \$150 million valuation allowance arises from uncertainty as to the realization of certain U.S. tax credit carryforwards. If realized, these benefits would be applied to reduce the MCA unallocated excess purchase price.

Effective Income Tax Rate – Continuing Operations

	<i>Transition Period</i> <i>Ended June 30,</i>	<i>Fiscal Years Ended January 31,</i>		
	<i>1996</i>	<i>1996</i>	<i>1995</i>	<i>1994</i>
U.S. statutory rate	35%	35%	35%	35%
1981 transaction	(103)	-	18	-
State and local taxes	4	3	-	-
Dividends received deduction	(7)	(3)	(3)	(1)
Goodwill amortization	45	11	4	3
Other	3	(2)	(7)	(2)
Effective income tax rate — continuing operations	(23)%	44%	47%	35%

Various taxation authorities have proposed or levied assessments for additional income taxes of prior years. Management believes that settlements will not have a material effect on the results of operations, financial position or liquidity of the Company.

Note 11 Benefit Plans

Pension

Pension costs were \$27 million for the transition period ended June 30, 1996 and \$45 million, \$24 million and \$26 million for the fiscal years ended January 31, 1996, 1995 and 1994, respectively.

The Company has defined benefit pension plans which cover certain U.S. employees. The net cost of the Company's U.S. pension plans was based on an expected long-term return on plan assets of 10 percent for the transition period ended June 30, 1996 and 10.75 percent for each of the fiscal years ended January 31, 1996, 1995 and 1994. Discount rates of 7.75 percent, 7.0 percent and 8.75 percent were used in determining the actuarial present value of the projected benefit obligation at June 30, 1996, January 31, 1996 and January 31, 1995, respectively. The assumed rates of increase in future compensation levels were five percent to six percent for the transition period ended June 30, 1996, 4.5 percent to 5.5 percent for the fiscal year ended January 31, 1996, and six percent to seven percent for the fiscal year ended January 31, 1995. Plans outside the U.S. used assumptions in determining the actuarial present value of projected benefit obligations that reflect the economic environments within the various countries, and therefore are consistent with (but not identical to) those of the U.S. plans.

The majority of the pension arrangements for the Company's employees of affiliates outside the U.S., the United Kingdom and Canada are either insured or government sponsored. In those affiliates outside of the U.S. where defined benefit plans exist (United Kingdom, Canada and France), the net periodic pension cost was \$3 million for the transition period ended June 30, 1996 and \$6 million for each of the fiscal years ended January 31, 1996, 1995 and 1994. At June 30, 1996, the present value of these plans' projected benefit obligation was \$261 million, \$246 million of which was for vested benefits; the fair value of plan assets was \$289 million.

Net Cost of U.S. Defined Benefit Pension Plans

<i>millions</i>	<i>Transition Period</i> <i>Ended June 30,</i>	<i>Fiscal Years Ended January 31,</i>		
	<i>1996</i>	<i>1996</i>	<i>1995</i>	<i>1994</i>
Service cost — benefits earned during the period	\$ 8	\$ 17	\$ 18	\$ 16
Interest cost on Projected Benefit Obligation	22	52	47	46
Return on plan assets				
Actual (gain) loss	(55)	(204)	11	(90)
Deferred actuarial gain (loss)	26	147	(75)	32
Net amortization	2	4	4	4
Net pension cost	\$ 3	\$ 16	\$ 5	\$ 8

Status of U.S. Defined Benefit Pension Plans

<i>millions</i>	<i>June 30, 1996</i>		<i>January 31, 1996</i>		<i>January 31, 1995</i>	
	<i>Assets Exceed Accumulated Benefits</i>	<i>Accumulated Benefits Exceed Assets</i>	<i>Assets Exceed Accumulated Benefits</i>	<i>Accumulated Benefits Exceed Assets</i>	<i>Assets Exceed Accumulated Benefits</i>	<i>Accumulated Benefits Exceed Assets</i>
Actuarial present value of Vested Benefit Obligation	<u>\$(501)</u>	<u>\$ (78)</u>	<u>\$(532)</u>	<u>\$ (82)</u>	<u>\$(424)</u>	<u>\$(60)</u>
Accumulated Benefit Obligation	<u>\$(525)</u>	<u>\$ (81)</u>	<u>\$(559)</u>	<u>\$ (84)</u>	<u>\$(444)</u>	<u>\$(63)</u>
Projected Benefit Obligation	<u>\$(609)</u>	<u>\$(105)</u>	<u>\$(648)</u>	<u>\$(110)</u>	<u>\$(522)</u>	<u>\$(89)</u>
Plan assets at fair value, principally equity securities	<u>757</u>	<u>—</u>	<u>715</u>	<u>—</u>	<u>547</u>	<u>—</u>
Plan assets in excess of (less than) Projected Benefit Obligation	<u>148</u>	<u>(105)</u>	<u>67</u>	<u>(110)</u>	<u>25</u>	<u>(89)</u>
Deferred net actuarial (gain) loss	<u>(95)</u>	<u>38</u>	<u>(20)</u>	<u>46</u>	<u>28</u>	<u>34</u>
Unamortized prior service cost	<u>7</u>	<u>6</u>	<u>6</u>	<u>6</u>	<u>2</u>	<u>7</u>
Unamortized transition obligation (asset)	<u>—</u>	<u>3</u>	<u>—</u>	<u>3</u>	<u>(1)</u>	<u>4</u>
Recognition of minimum liability	<u>—</u>	<u>(23)</u>	<u>—</u>	<u>(31)</u>	<u>—</u>	<u>(19)</u>
Prepaid (accrued) pension cost	<u>\$ 60</u>	<u>\$ (81)</u>	<u>\$ 53</u>	<u>\$ (85)</u>	<u>\$ 54</u>	<u>\$(63)</u>

The Company has defined contribution plans covering certain U.S. employees. Contributions made to these plans are included in consolidated pension costs of \$27 million for the transition period ended June 30, 1996.

Postretirement

The Company provides retiree health care and life insurance benefits covering certain retirees. Certain U.S. salaried and certain hourly employees are eligible for benefits upon retirement and completion of a specified number of years of service.

The components of net periodic postretirement benefit cost are as follows:

<i>millions</i>	<i>Transition Period Ended June 30, 1996</i>	<i>Fiscal Years Ended January 31,</i>		
	<i>1996</i>	<i>1996</i>	<i>1995</i>	<i>1994</i>
Service cost — benefits earned during the period	<u>\$ 2</u>	<u>\$ 3</u>	<u>\$ 3</u>	<u>\$ 5</u>
Interest cost on accumulated postretirement benefit obligation	<u>6</u>	<u>14</u>	<u>11</u>	<u>13</u>
Amortization of prior service cost	<u>(2)</u>	<u>(4)</u>	<u>(4)</u>	<u>(1)</u>
Net postretirement benefit cost	<u>\$ 6</u>	<u>\$13</u>	<u>\$10</u>	<u>\$17</u>

The accumulated postretirement benefit obligation, included in Other Credits in the accompanying balance sheet, comprises the following:

<i>millions</i>	<i>June 30, 1996</i>	<i>January 31,</i>	
	<i>1996</i>	<i>1996</i>	<i>1995</i>
Retirees	<u>\$125</u>	<u>\$132</u>	<u>\$ 85</u>
Fully eligible active plan participants	<u>25</u>	<u>27</u>	<u>25</u>
Other active plan participants	<u>46</u>	<u>50</u>	<u>36</u>
Unrecognized:			
Actuarial gain (loss)	<u>3</u>	<u>(11)</u>	<u>16</u>
Prior service cost	<u>37</u>	<u>39</u>	<u>43</u>
Accrued postretirement benefit obligation	<u>\$236</u>	<u>\$237</u>	<u>\$205</u>

Future benefit costs were estimated assuming medical costs would increase at an 8.3 percent annual rate, decreasing to a 5.5 percent annual growth rate ratably over the next six years, and then remaining at a 5.5 percent growth rate thereafter. A one-percentage-point increase in this annual trend rate would have increased the postretirement benefit obligation at June 30, 1996 by \$12 million (\$8 million after tax), with an increase in pretax expense of \$1 million for the transition period ended June 30, 1996. The weighted average discount rate used to estimate the accumulated postretirement benefit obligation was 7.75 percent, 7.0 percent and 8.75 percent at June 30, 1996, January 31, 1996 and January 31, 1995, respectively.

Postemployment

The Company adopted Financial Accounting Standard No. 112, "Employers' Accounting for Postemployment Benefits" (FAS 112), in the first quarter of the fiscal year ended January 31, 1995, resulting in a \$75 million charge, net of \$40 million of deferred tax benefit. FAS 112 requires that the expected cost of postemployment benefits be recognized when they are earned rather than when they are paid. The postemployment obligation has been increased to reflect the reengineering activities described in Note 13.

Note 12 Business Segment and Geographic Data

Business Segment Data

millions	Beverages	Enter- tainment	Corporate ⁽¹⁾	Total
June 30, 1996				
Revenues	\$2,653	\$ 2,360	\$ -	\$ 5,013
Depreciation and amortization of assets	70	86	2	158
Amortization of goodwill	22	62	-	84
Operating income (expense)	225	1	(47)	179
Identifiable assets	7,665	10,269	3,694	21,628
Capital expenditures	168	136	1	305
January 31, 1996				
Revenues	\$6,694	\$ 3,053	\$ -	\$ 9,747
Depreciation and amortization of assets	154	97	4	255
Amortization of goodwill	51	62	-	113
Operating income (expense)	456 ⁽²⁾	205	(77)	584
Identifiable assets	7,603	9,997	3,755	21,355
Capital expenditures	257	175	1	433
January 31, 1995				
Revenues	\$6,399		\$ -	\$ 6,399
Depreciation and amortization of assets	134		4	138
Amortization of goodwill	46		-	46
Operating income (expense)	781		(56)	725
Identifiable assets	7,028		5,964	12,992
Capital expenditures	156		16	172
January 31, 1994				
Revenues	\$6,038		\$ -	\$ 6,038
Depreciation and amortization of assets	122		3	125
Amortization of goodwill	41		-	41
Operating income (expense)	774		(20)	754
Identifiable assets	6,584		5,134	11,718
Capital expenditures	162		1	163

⁽¹⁾ Includes (i) corporate expenses and assets not identifiable with either business segment, and (ii) DuPont and Time Warner holdings, which represented 90%, 91%, 96% and 96% of corporate assets at June 30, 1996 and January 31, 1996, 1995 and 1994, respectively.

⁽²⁾ Includes a \$290 million charge related to reengineering activities.

Geographic Data

millions	Sales and Other Income ⁽¹⁾		Operating Income	Total Assets ⁽²⁾
	Unrelated Parties	Inter- company		
June 30, 1996				
U.S.	\$ 2,735	\$ 73	\$ (105)	\$12,773
Europe	1,588	176	239	4,402
Asia Pacific	395	-	(8)	429
Latin America	147	13	22	288
Canada	148	61	31	417
	<u>\$ 5,013</u>	<u>\$ 323</u>	<u>\$ 179</u>	<u>\$18,309</u>
January 31, 1996				
U.S.	\$ 5,185	\$ 167	\$ 131	\$12,171
Europe	3,026	464	276	4,585
Asia Pacific	860	-	30	463
Latin America	415	29	14	324
Canada	261	212	133	385
	<u>\$ 9,747</u>	<u>\$ 872</u>	<u>\$ 574</u>	<u>\$18,309</u>
January 31, 1995				
U.S.	\$ 2,818	\$ 112	\$ 160	\$ 2,510
Europe	2,254	400	365	3,749
Asia Pacific	750	-	15	395
Latin America	440	30	43	388
Canada	137	207	142	237
	<u>\$ 6,399</u>	<u>\$ 751</u>	<u>\$ 725</u>	<u>\$11,718</u>
January 31, 1994				
U.S.	\$ 2,575	\$ 91	\$ 108	\$ 2,452
Europe	2,188	334	411	3,372
Asia Pacific	618	-	4	322
Latin America	511	25	79	392
Canada	146	220	152	257
	<u>\$ 6,038</u>	<u>\$ 670</u>	<u>\$ 754</u>	<u>\$ 6,795</u>

⁽¹⁾ Sales are classified based upon the location of the legal entity which invoices the customer rather than the location of the customer. Sales among geographic areas include intercompany transactions on a current market price basis.

⁽²⁾ Excludes DuPont and Time Warner holdings.

Note 13 Reengineering Activities

In connection with a program to better position its beverage operations to achieve its strategic growth objectives, the Company recorded a pretax charge of \$290 million in the fiscal year ended January 31, 1996. The charge related principally to the Company's global spirits and wine manufacturing, financial, marketing and distribution systems and included rationalization of facilities in the U.S. and Europe and other costs related to the redesign of processes associated with the fulfillment of customer orders and the organizational structure under which the spirits and wine business operates. The components of the \$290 million charge reflected approximately a \$100 million provision for severance costs, \$120 million for asset write-downs/impairments and \$70 million for facility rationalization, including lease terminations, and other reengineering programs.

Note 14 Additional Financial Information

Income Statement and Cash Flow Data

<i>millions</i>	<i>Transition Period Ended June 30, 1996</i>	<i>Fiscal Years Ended January 31, 1996 1995 1994</i>		
Interest, Net and Other				
Interest expense	\$ 151	\$ 378	\$408	\$351
Interest income	(13)	(102)	(10)	(11)
Dividend income	(19)	(38)	(34)	(20)
Capitalized interest	(5)	(3)	(2)	(1)
	<u>\$ 114</u>	<u>\$ 235</u>	<u>\$362</u>	<u>\$319</u>
Excise Taxes				
(included in sales and cost of sales)	\$ 296	\$ 812	\$836	\$811
Cash Flow Data				
Interest paid, net	\$ 113	\$ 262	\$361	\$346
Income taxes paid (refunded)	\$ (37)	\$1,083	\$101	\$122

Balance Sheet Data

<i>millions</i>	<i>June 30, 1996</i>	<i>June 1995</i>	<i>January 31, 1995</i>
Receivables			
Trade	\$1,860	\$2,370	\$1,292
Other	267	189	89
	<u>2,127</u>	<u>2,559</u>	<u>1,381</u>
Allowance for doubtful accounts and other valuation accounts	(357)	283	(53)
	<u>\$1,770</u>	<u>\$2,276</u>	<u>\$1,328</u>
Inventories			
Beverages	\$2,789	\$2,600	\$2,398
Materials, supplies and other	353	314	121
	<u>\$3,142</u>	<u>\$2,914</u>	<u>\$2,519</u>
LIFO Inventories			
Estimated replacement cost	\$ 680	\$ 473	\$ 492
Excess of replacement cost over LIFO carrying value	(175)	(180)	(189)
	<u>\$ 505</u>	<u>\$ 293</u>	<u>\$ 303</u>

Film Costs, Net of Amortization

Theatrical Film Costs		
Released	\$ 490	\$ 588
In process and unreleased	386	295
	<u>876</u>	<u>883</u>
Television Film Costs		
Released	368	391
In process and unreleased	10	26
	<u>378</u>	<u>417</u>
	<u>\$1,254</u>	<u>\$1,300</u>

Unamortized costs related to released theatrical and television films aggregated \$858 million at June 30, 1996. Excluding the portion of the purchase price allocated to the film library which is being amortized over a 20 year life, the Company currently anticipates that approximately 81 percent of the unamortized released film costs will be amortized under the individual film forecast method during the three years ending June 30, 1999.

<i>millions</i>	<i>June 30, 1996</i>	<i>June 1996</i>	<i>January 31, 1995</i>
Property, Plant and Equipment			
Land	\$ 544	\$ 528	\$ 137
Buildings and improvements	1,367	1,297	583
Machinery and equipment	1,531	1,456	1,170
Furniture and fixtures	348	355	137
Construction in progress	294	226	98
	<u>4,084</u>	<u>3,862</u>	<u>2,125</u>
Accumulated depreciation	(1,133)	(1,056)	(581)
	<u>\$ 2,951</u>	<u>\$2,806</u>	<u>\$1,267</u>
Payables and Accrued Liabilities			
Trade	\$ 576	\$ 596	\$ 429
Other	1,510	1,568	994
	<u>\$2,086</u>	<u>\$2,164</u>	<u>\$1,423</u>

Note 15 **Commitments and Contingencies**

The Company has various commitments for the purchase or construction of property, plant and equipment, materials, supplies and items of investment related to the ordinary conduct of business.

The Company is involved in various lawsuits, claims and inquiries. Management believes that the resolution of these matters will not have a material adverse effect on the results of operations, financial position or liquidity of the Company.

Note 16 **Differences Between U.S. and Canadian Generally Accepted Accounting Principles**

Differences between U.S. and Canadian GAAP for these financial statements are:

- (i) The common stock in DuPont and Time Warner would be carried at cost under Canadian GAAP, thereby reducing shareholders' equity by \$337 million or four percent at June 30, 1996. There is no effect on net income.
- (ii) The deferred tax liability at June 30, 1996 under Canadian GAAP would be approximately \$50 million lower and shareholders' equity \$50 million higher. (A draft accounting standard has been issued in Canada which, if adopted, will eliminate this difference.)
- (iii) Proportionate consolidation of joint ventures under Canadian GAAP would increase assets and liabilities by approximately \$870 million and increase working capital by approximately \$110 million at June 30, 1996. There is no effect on net income.
- (iv) The cumulative effect of the accounting change in the fiscal year ended January 31, 1995 would be excluded from net income and taken directly to retained earnings under Canadian GAAP.
- (v) Other differences between U.S. and Canadian GAAP are *de minimis*.

Management's Report

The Company's management is responsible for the preparation of the accompanying financial statements in accordance with generally accepted accounting principles, including the estimates and judgments required for such preparation.

The Company has a system of internal accounting controls designed to provide reasonable assurance that assets are safeguarded and financial records underlying the financial statements properly reflect all transactions. The system contains self-monitoring mechanisms, including a program of internal audits, which allow management to be reasonably confident that such controls, as well as the Company's administrative procedures and internal reporting requirements, operate effectively. Management believes that its long-standing emphasis on the highest standards of conduct and business ethics, as set forth in written policy statements, serves to reinforce the system of internal accounting controls. There are inherent limitations in the effectiveness of any system of internal control, including the possibility of human error

or the circumvention or overriding of controls. Accordingly, even an effective internal control system can provide only reasonable assurance with respect to financial statement preparation.

The Company's independent auditors, Price Waterhouse, review the system of internal accounting controls to the extent they consider necessary to evaluate the system as required by generally accepted auditing standards. Their report covering their examinations of the financial statements is presented below.

The Audit Committee of the Board of Directors, solely comprising Directors who are not officers or employees of the Company, meets with the independent auditors, the internal auditors and management to ensure that each is discharging its respective responsibilities relating to the financial statements. The independent auditors and the internal auditors have direct access to the Audit Committee to discuss, without management present, the results of their audit work and any matters they believe should be brought to the Committee's attention.

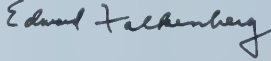


Edgar Bronfman, Jr.
President and
Chief Executive Officer



Robert W. Matschullat
Vice Chairman and
Chief Financial Officer

September 5, 1996



Edward Falkenberg
Vice President and Controller

Auditors' Report

To the Shareholders of The Seagram Company Ltd.

We have audited the consolidated balance sheet of The Seagram Company Ltd. as at June 30, 1996 and January 31, 1996 and 1995 and the consolidated statements of income, shareholders' equity and cash flows for the transition period ended June 30, 1996 and for each of the three fiscal years in the period ended January 31, 1996. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in the U.S. of America and Canada. Those standards require that we plan and perform an audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 1996 and January 31, 1996 and 1995 and the results of its operations and its cash flows for the transition period ended June 30, 1996 and for each of the three fiscal years in the period ended January 31, 1996, in accordance with generally accepted accounting principles in the U.S. of America which, in their application to the Company, conform in all material respects with generally accepted accounting principles in Canada.

The Company changed its accounting for post-employment benefits other than pensions, under generally accepted accounting principles in the U.S. of America, during the fiscal year ended January 31, 1995, as described in Note 11.

Price Waterhouse
Price Waterhouse
Montreal, Canada
September 5, 1996

Quarterly Data

U.S. dollars in millions,
except per share amounts (unaudited)

	First Quarter	Two Months Ended June 30, 1996	Transition Period Ended June 30, 1996
Revenues	\$2,520	\$2,493	\$5,013
Operating income	140	39	179
Net income	\$ 23	\$ 62	\$ 85
Net income per share	\$.06	\$.17	\$.23

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Fiscal Year Ends January 31, 1996
Revenues	\$1,282	\$1,883	\$2,917	\$3,665	\$9,747
Operating income	150	179	21	234	584

Income (Loss) before discontinued

DuPont activities	59	89	(55)	81	(74)
Discontinued DuPont activities	3,232	—	—	—	3,232
Net Income (Loss)	\$3,291	\$ 89	\$ (55)	\$ 81	\$ 3,206

Income Per Share

Income before discontinued					
DuPont activities	\$.16	\$.24	\$ (.15)	\$.21	\$.16
Discontinued DuPont activities	8.67	—	—	—	8.67
Net Income (Loss)	\$ 8.83	\$.24	\$ (.15)	\$.21	\$ 8.13

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Fiscal Year Ends January 31, 1996
Revenues	\$1,211	\$1,448	\$1,513	\$2,227	\$6,399
Operating income	162	144	166	253	725

Income before discontinued

DuPont activities	52	44	52	46	194
Discontinued DuPont activities	145	180	147	145	607

Income before cumulative effect

of accounting change	197	224	199	191	811
Cumulative effect of accounting change	(75)	—	—	—	(75)

Net Income	\$ 122	\$ 224	\$ 199	\$ 191	\$ 736
------------	--------	--------	--------	--------	--------

Income Per Share

Income before discontinued					
DuPont activities	\$.14	\$.12	\$.14	\$.12	\$.52
Discontinued DuPont activities	.39	.48	.39	.40	1.66
Income before cumulative effect					
of accounting change	.53	.60	.53	.52	2.18
Cumulative effect of accounting change	(.20)	—	—	—	(.20)
Net Income	\$.33	\$.60	\$.53	\$.52	\$ 1.98

*Includes a \$290 million pretax charge for reengineering activities.

Financial Summary

	Transition Period Ended June 30,			
	1996	1996	1995	1994
<i>U.S. dollars in millions, except per share amounts</i>				
Income Statement				
Revenues	\$ 5,013	\$ 9,747	\$ 6,399	\$ 6,038
Gain (loss) on divestitures, net	—	—	—	—
Operating income	179	584	725	754
Interest, net and other	114	235	362	319
Income before discontinued DuPont activities and cumulative effect of accounting change	85	174	194	283
Discontinued DuPont activities, after tax	—	3,232	617	96
Income Before Cumulative Effect of Accounting Change	85	3,406	811	379
Cumulative effect of accounting change, after tax	—	—	(75)	—
Net Income (Loss)	\$ 85	\$ 3,406	\$ 736	\$ 379
Financial Position				
Current assets	\$ 6,886	\$ 6,640	\$ 4,265	\$ 3,794
Common stock of DuPont	651	631	3,670	3,154
Common stock of Time Warner	2,228	2,356	2,043	1,769
Other noncurrent assets	11,863	11,728	3,014	3,001
Total assets	21,628	21,355	12,992	11,718
Current liabilities	4,687	3,854	4,091	2,996
Long-term indebtedness	2,562	2,889	2,841	3,053
Total liabilities	10,584	10,183	7,472	6,717
Minority interest	1,839	1,844	11	—
Shareholders' equity	9,205	9,328	5,509	5,001
Total liabilities and shareholders' equity	21,628	21,355	12,992	11,718
Cash Flow Data				
Cash flow from continuing operations	903	1,025	519	470
Capital expenditures	(305)	(433)	(172)	(163)
Other investing activities, net	(1,024)	1,308	(465)	(1,567)
Dividends paid	(112)	(224)	(216)	(209)
Per Share Data				
Continuing operations	\$.23	\$.46	\$.52	\$.76
Discontinued DuPont activities	—	8.67	1.66	.26
Income Before Cumulative Effect of Accounting Change	.23	9.13	2.18	1.02
Cumulative effect of accounting change, after tax	—	—	(.20)	—
Net Income (Loss)	\$.23	\$ 9.13	\$ 1.98	\$ 1.02
Dividends paid	\$.30	\$.60	\$.58	\$.56
Shareholders' equity	24.67	24.91	14.79	13.43
End-of-year share price				
New York Stock Exchange	33.63	36.38	28.75	30.75
Canadian Stock Exchanges	C\$ 45.75	C\$ 49.75	C\$ 40.50	C\$ 40.63
Average shares outstanding (thousands)	373,858	373,117	372,499	373,051
Shares outstanding at year-end (thousands)	373,059	374,462	372,537	372,489

1995	1992	1991	1990	1989	1988	1987
\$ 6,101	\$ 6,345	\$ 6,127	\$ 5,582	\$ 5,056	\$ 3,515	\$ 3,345
-	201	-	-	-	-	(35)
762	961	708	574	425	286	193
312	320	325	289	229	71	81
293	430	241	171	125	151	138
181	297	515	540	464	370	315
474	727	756	711	589	521	423
(1,374)	-	-	-	-	-	-
\$ (900)	\$ 727	\$ 756	\$ 711	\$ 589	\$ 521	\$ 423
\$ 3,836	\$ 4,327	\$ 3,970	\$ 3,289	\$ 3,182	\$ 2,956	\$ 2,702
3,315	4,566	4,504	4,216	3,879	3,587	3,336
-	-	-	-	-	-	-
2,953	2,983	3,003	2,708	2,636	1,000	854
10,104	11,876	11,477	10,213	9,697	7,543	6,886
2,003	1,896	3,130	2,491	1,994	1,394	1,102
2,559	3,013	2,038	2,011	2,330	1,058	612
5,174	5,393	5,525	4,856	4,723	3,086	2,931
-	-	-	-	-	-	-
4,930	6,483	5,952	5,357	4,974	4,457	3,955
10,104	11,876	11,477	10,213	9,697	7,543	6,886
310	543	(28)	71	101	59	25
(168)	(215)	(309)	(206)	(142)	(89)	100
184	190	168	238	(1,768)	196	126
(205)	(189)	(174)	(135)	(113)	(100)	(96)
\$.78	\$ 1.14	\$.64	\$.44	\$.33	\$.39	\$.28
.48	.78	1.37	1.40	1.20	.97	.83
1.26	1.92	2.01	1.84	1.53	1.36	1.11
(3.64)	-	-	-	-	-	-
\$ (2.38)	\$ 1.92	\$ 2.01	\$ 1.84	\$ 1.53	\$ 1.36	\$ 1.11
\$.545	\$.50	\$.463	\$.35	\$.294	\$.263	\$.238
13.19	17.08	15.87	14.03	12.66	11.76	10.36
25.13	29.94	22.25	18.72	17.78	13.78	16.78
C\$ 32.00	C\$ 35.06	C\$ 25.81	C\$ 22.22	C\$ 21.13	C\$ 17.50	C\$ 22.41
375,871	378,839	376,664	385,524	385,460	381,912	380,448
373,690	379,480	374,972	381,820	392,856	379,144	381,980

Portfolio of Brands



The following is a partial, noninclusive listing.

The Seagram Spirits And Wine Group

American Whiskey

Cougar Bourbon
Four Roses Bourbon
Four Roses Black Label Bourbon
Four Roses Single Barrel Reserve Bourbon
Four Roses Platinum Bourbon
Seagram's 7 Crown

Canadian Whisky

Canadian Hunter
Crown Royal
Crown Royal Special Reserve
Crown Royal Limited Edition
Mount Royal Light
Seagram's V.O.

Scotch Whisky

Black Douglas
Century
Chivas Regal 12-year-old
Glen Grant
Glen Grant 10-year-old
The Glenlivet 12-year-old
The Glenlivet 18-year-old
100 Pipers
Passport
Queen Anne
Royal Salute 21-year-old
St. Leger
Something Special
Windsor Premier 12-year-old
Benriach 10-year-old
Glen Keith Bottled in 1983
Strathisla 12-year-old
Longmorn 15-year-old

Local Whisky

Black Jack
Blenders Pride

Boston Club
Crescent
Dunbar
Emblem
Master Blend
Natu Nobilis
New Robert Brown
Regency
Secret
Valley 9 Gold
Wilson's

Cognac

Martell V.S. Fine
Martell Médaille V.S.O.P.
Martell Noblige
Martell Cordon Bleu
Martell Napoléon Special Reserve
Martell X.O. Suprême
Martell Extra
Martell Gobelet Royal
Classique de J&F Martell
L'Or de J&F Martell
Création de J&F Martell

Brandy

Blandice
Capa Negra
Chatelain
Chemineaud
De Valcourt
Imperial
Macieira
René Briand

Gin

Boodles
Burnett's
Seagram's Extra Dry
Somers

Vodka

Deluxe
Nikolai
Orloff
Seagram's Premium

Rum

Cacique
Captain Morgan
Centenario
5 Estrellas
Diplomático

Montilla
Myers's
OVD
Ronrico

Tequila

Mariachi
Olmea

Liqueur

Capucello
Godiva

Schnapps

Dr. McGillicuddy's

Pre-Mixed

Four Roses & Cola
Olmea Tequila Margarita
Passport & Cola
Seagram's Extra Dry Gin & Tonic
Seagram's Gin & Juice
Seagram's 7 Crown & Lemonade

Champagne

Mumm Cordon Rouge N.V.
Mumm Cordon Rouge Vintage
Mumm Cordon Rosé N.V.
Mumm Cordon Vert
Mumm Grand Cordon
Mumm René Lalou
Mumm de Cramant
Perrier-Jouët Grand Brut
Perrier-Jouët Brut Millésimé
Perrier-Jouët Blason de France
Perrier-Jouët Blason de France Rosé
Perrier-Jouët Belle Epoque
Perrier-Jouët Belle Epoque Rosé
Heidsieck Monopole Red Top
Monopole Sec
Heidsieck Monopole Dry Monopole Brut
Heidsieck Monopole Diamant Bleu
Heidsieck Monopole Diamant Rosé

Sparkling Wine

Cuvée Mumm
Domaine Mumm
Maschio
Matheus Müller Sekt
Monitor
Mumm Cuvée Napa
Mumm Sekt
Raposeira

Sherry

Sandeman Dry Seco
Sandeman Medium Dry
Sandeman Rich Cream
Sandeman Don Fino
Sandeman Character
Sandeman Armada
Sandeman Royal Corregidor
Sandeman Soléo

Port

Sandeman Original Rich Ruby
Sandeman Original Fine Tawny
Sandeman Original Fine White
Sandeman Founders Reserve
Sandeman Imperial Aged Reserve Tawny
Sandeman 20-year-old Tawny
Sandeman Late Bottled Vintage
Sandeman Vintage
Sandeman Quinta do Vau – Single Quinta Vintage

Wine

Almadén
Barton & Guestier
Forestier
Sterling Vineyards
The Monterey Vineyard

Coolers

Seagram's Spirits

Selected Agency Brands

Absolut Vodka
Bianchi (Argentina)
Citronge (U.S.)
Cointreau (Venezuela)
Jameson (Canada)
Jim Beam (Germany)
Old Bushmills (Canada)
Patrón (U.S.)
Patrón XO Café (U.S.)
San Telmo (Argentina)
Stolichnaya (Greece)

The Seagram Classics Wine Company

Champagne

Mumm

Sparkling Wine

Mumm Cuvée Napa

Wine

Sterling Vineyards
Barton & Guestier
The Monterey Vineyard
Julius Kayser
Tessera

Selected Agency Brands

Castello d'Albola

Seagram

Chateau & Estate Wines Company

Champagne

Perrier-Jouët

Sherry

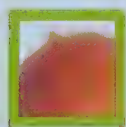
Sandeman

Port

Sandeman

Selected Agency Brands

Domaines Barons de Rothschild
Domaine Clarence Dillon
Domaines Cordier
Domaines Jean-Pierre Moueix
Domaines Jean-Eugène Borie
F.E. Trimbach
Dominus Estate
Domaine G. Roumier
Domaine Ramonet
Domaine Bonneau du Martray



Tropicana Dole Beverages North America

Tropicana Pure Premium Juices

Original Orange
Grovestand Orange
Home Style Orange
Ruby Red Orange
Home Style Golden Grapefruit
Ruby Red Grapefruit
Grovestand Ruby Red
Grapefruit
Tangerine Orange
Plus Calcium and Extra
Vitamin C
Plus Vitamins A, C and E

Tropicana Season's Best Juices

Home Style Orange
Original Orange
Orange Juice Plus Calcium
Orange Juice Plus Vitamins
Apple
Grape
Cranberry Medley
Grapefruit
Orange Pineapple
Ruby Red Grapefruit
Strawberry Orange
Fruit Medley
Citrus Medley

Tropicana Pure Tropics Juices

Orange Kiwi Passion
Orange Peach Mango
Orange Pineapple
Orange Strawberry Banana

Tropicana Juice Beverages

Citrus Punch
Fruit Punch
Lemonade
Berry Punch
Cranberry Punch
Pineapple Punch

Tropicana Twister Juice Beverages

Apple Raspberry Blackberry
Apple Berry Pear
Strawberry Orange Peach
Orange Strawberry Banana
Orange Cranberry
Orange Peach
Orange Raspberry
Cranberry Raspberry
Strawberry
Pink Grapefruit Cocktail
Orange Strawberry Guava
Ruby Red Cranberry
Light Cranberry Raspberry
Strawberry
Light Orange Cranberry
Light Orange Raspberry
Light Orange Strawberry
Banana
Light Pink Grapefruit Cocktail

Dole Juices

Mountain Cherry
Country Raspberry
Orchard Peach
Pineapple
Pineapple Orange
Pine-Orange Banana
Pine-Orange Guava

Pine-Orange Strawberry
Pine-Passion Banana
Mandarin Tangerine
Tropical Fruit

Tropicana Dole Beverages International

Tropicana Pure Premium Juices

Orange
Grapefruit
Ruby Breakfast
Pink Grapefruit
Orange Peach
Orange Pear
Apple
Sanguinello

Tropicana Pure Juices

Orange
Grapefruit
Apple
Pineapple
Red Grape
Ruby Breakfast
Orange Grapefruit
Orange Peach
Orange Banana

Fruvita Juices

Orange with Pulp
Orange
Grapefruit
Apple
Red Grape
Lemon
Orange Peach
Orange Pear
Orange Banana
Star Ruby
Sanguinello

Dole Juices

Orange with Pulp
Orange
Grapefruit
Apple
Orange Peach
Orange Pear
Orange Banana

Kirin-Tropicana Juices

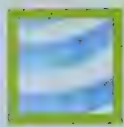
Orange
Orange Homemade Style
Apple
Grapefruit
Grape
Fruit Blend
Pear
Pure Premium Orange

Looza Juices and Nectars

Pineapple
Orange
Grapefruit
Apple Apricot
Apple Cherry
Apricot
Caribbean Blend
Banana
Cranberry
Cherry
Red Grape
Tomato
Tropical
Peach
Mango
Pear
Apple
Apple – unfiltered
Passion Fruit
Blackcurrant
Multivitamin

Juice Bowl Juices and Nectars

Orange with Pulp
Orange
Apple
Grapefruit with Pulp
Grapefruit
Pineapple
Apricot
Peach
Pear
Tropical
Tomato
Banana
Multivitamin
Red Grape



The Seagram Beverage Company

Frozen Paradise

Strawberry Daiquiri
Piña Colada
Peach Daiquiri

Coolers

Wild Black Cherry
Wild Tropical Fruit
Wild Berries
Wild Kiwi Strawberry
Wild Mango
Wild Watermelon
Peach Daiquiri
Fuzzy Navel
Pineapple Piña Colada
Margarita
Strawberry Daiquiri
Seagram's Golden

Mixer Flavors & Styles

Seagram's Ginger Ale
Seagram's Diet Ginger Ale
Seagram's Raspberry
Ginger Ale
Seagram's Diet Raspberry
Ginger Ale
Seagram's Tonic Water
Seagram's Diet Tonic Water
Seagram's Club Soda
Seagram's Original Seltzer
Seagram's Black Cherry
Seltzer
Seagram's Lemon Lime
Seltzer
Seagram's Orange Seltzer
Seagram's Raspberry Seltzer

Beers

Grolsch (agency brand)
Premium Lager
Amber Lager
Coyote
Amber Lager
Dark Lager
Devil Mountain
Five Malt Ale
Black Honey Ale
Railroad Gold Ale

Filmed Entertainment

Universal Pictures

12 Monkeys
Happy Gilmore
Sgt. Bilko
Twister
Flipper
Dragonheart
The Nutty Professor

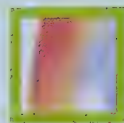
MCA/Universal Television

Series:
Hercules: The Legendary Journeys
Xena: Warrior Princess
Murder, She Wrote
Law & Order
Coach
New York Undercover
Sliders
Weird Science
Earthworm Jim
Casper
Wing Commander Academy
NewsRadio
The Larry Sanders Show
The Jeff Foxworthy Show
The Steve Harvey Show

Made-for-television movies
and mini-series:
The Beast
The Rockford Files

MCA/Universal Home Video

Jurassic Park
Babe
Casper
The Land Before Time I, II & III
The Adventures of
Timmy the Tooth
Waterworld
12 Monkeys
Earthworm Jim
Tremors 2: Aftershocks
Casino
Sudden Death



Music

MCA Records

Lyle Lovett (Curb/MCA)
Nonchalant
The Ramones (Radioactive)
Todd Snider (Margaritaville)
Semisonic

MCA Records/Nashville

Jimmy Buffett (Margaritaville)
Vince Gill
Reba McEntire
George Strait
Wynonna (Curb Records)
Trisha Yearwood
Rhett Akins (Decca)
Gary Allan (Decca)
Mark Chesnutt (Decca)

Geffen and DGC Records

Beck
Cowboy Junkies
Garbage (Almo Sounds)
Genius/GZA
Lisa Loeb & Nine Stories
George Michael (DreamWorks
Records)
White Zombie

GRP Recording Company

Diana Krall
The Rippingtons
Groove Collective

Universal Records

Monifah (Uptown Records)
Lina Santiago (Groove Nation
Records)
Lost Boyz
Goldfinger (Mojo Records)
Crucial Conflict (Pallas Records)

Interscope Records

Bush (Trauma Records)
No Doubt (Trauma Records)
The Wallflowers



Recreation

Universal Studios Hollywood

Jurassic Park: The Ride

Universal Studios Florida

Terminator 2: 3-D



Publishing

The Putnam Berkley Group

Tom Clancy: *Executive Orders*
Patricia Cornwell: *Cause of Death*
Dick Francis: *To The Hilt*
W.E.B. Griffin: *Blood and Honor*
Robin Cook: *Chromosome 6*
LaVyrle Spencer:
That Camden Summer
Lawrence Sanders:
McNally's Puzzle
Tomie dePaola: *Strega Nona:*
Her Story

Directory

Board of Directors

Edgar M. Bronfman³
Chairman of the Board,
The Seagram Company Ltd.

The Hon. Charles R. Bronfman, P.C., C.C.³
Co-Chairman of the Board
and Chairman of the
Executive Committee,
The Seagram Company Ltd.

Edgar Bronfman, Jr.³
President and Chief
Executive Officer,
The Seagram Company Ltd.

Samuel Bronfman II
President, The Seagram
Classics Wine Company
(a division of Joseph E.
Seagram & Sons, Inc.,
a subsidiary of the
Corporation)

Matthew W. Barrett, O.C.⁴
Chairman and
Chief Executive Officer,
Bank of Montreal
(a financial institution)

Frank J. Biondi, Jr.
Chairman and Chief
Executive Officer,
MCA INC. (a subsidiary
of the Corporation)

David M. Culver, C.C.⁴
Chairman, CAI Capital
Corporation
(an equity investment fund)

**The Hon. William G. Davis,
P.C., C.C., Q.C.**^{1,2}
Counsel, Tory Tory
DesLauriers & Binnington
(attorneys)

**The Hon. Paul Desmarais,
P.C., C.C.**^{1,3}
Chairman of the
Executive Committee,
Power Corporation of
Canada (a holding and
management company)

David L. Johnston, O.C.^{2,4}
Professor of Law,
McGill University
(an educational institution)

**The Hon. E. Leo Kolber,
Senator**^{3,4}
Member of The Senate
of Canada

Marie-Josée Kravis, O.C.^{2,4}
Senior Fellow, The Hudson
Institute Inc. (a nonprofit
economics research institute)

Robert W. Matschullat³
Vice Chairman and
Chief Financial Officer,
The Seagram Company Ltd.

C. Edward Medland^{1,3}
President, Beauwood
Investments Inc. (a private
investment company)

Lew R. Wasserman
Chairman Emeritus,
MCA INC. (a subsidiary
of the Corporation)

John L. Weinberg⁴
Senior Chairman,
Goldman, Sachs & Co.
(investment bankers)

John S. Weinberg^{1,2}
General Partner,
Goldman, Sachs & Co.
(investment bankers)

Honorary Directors

**A. Jean de Grandpré,
C.C., Q.C.**

Alain de Gunzburg

John L. Loeb

Neil F. Phillips, Q.C.

**The Hon. Ian D. Sinclair,
O.C.**

Sir Iain Tennant, K.T.

Honorary Secretary

Alan A. Sharp

¹ Member of the Audit Committee

² Member of Corporate Governance
Committee

³ Member of the Executive Committee

⁴ Member of the Human Resources
Committee

Officers

Edgar M. Bronfman
Chairman of the Board

The Hon. Charles R. Bronfman, P.C., C.C.
Co-Chairman of the Board
and Chairman of the
Executive Committee

Edgar Bronfman, Jr.
President and
Chief Executive Officer

Robert W. Matschullat
Vice Chairman and
Chief Financial Officer

John D. Borgia
Executive Vice President,
Human Resources

Stephen E. Herbits
Executive Vice President,
Corporate Policy and
External Affairs

Steven J. Kalagher
Executive Vice President
President, The Seagram
Spirits And Wine Group

Ellen R. Marram
Executive Vice President
President, The Seagram
Beverage Group

Edward Falkenberg
Vice President and Controller

Jeananne K. Hauswald
Vice President and Treasurer

Gabor Jellinek
Vice President, Production

Arnold M. Ludwick
Vice President

Daniel R. Paladino
Vice President, Legal and
Environmental Affairs

Michael C. L. Hallows
Secretary

Shareholder Information

Annual Meeting of Shareholders

The Annual Meeting of Shareholders will be held on October 30, 1996, at 11:30 a.m. (E.S.T.) at the Marriott Château Champlain, 1 Place du Canada, Montreal, Quebec.

Auditors

Price Waterhouse

Stock Symbol

VO

Stock Exchange Listings

Montreal, Toronto, Vancouver, New York and London

Transfer Agents and Registrars

The R-M Trust Company, 2001 University Street, 16th Floor, Montreal, Quebec H3A 2A6

The R-M Trust Company, Lower Level, 393 University Avenue, Toronto, Ontario M5G 2M7

The R-M Trust Company, 600 The Dome Tower, 6th Floor, 333-7th Avenue, S.W., Calgary, Alberta T2P 2Z1

The R-M Trust Company, Mall Level, 1177 West Hastings Street, Vancouver, B.C. V6E 2K3

ChaseMellon Shareholder Services L.L.C., P.O. Box 590, Ridgefield Park, N.J. 07660

Seagram Investor Relations

The Seagram Company Ltd., 1430 Peel Street, Montreal, Quebec H3A 1S9 or

Joseph E. Seagram & Sons, Inc., 375 Park Avenue, New York, N.Y. 10152

Joseph M. Fitzgerald—Vice President, Investor Relations (212) 572-7282

Maureen S. Hannan—Senior Director, Investor Relations (212) 572-1397

Requests for a copy of the Annual Report on Form 10-K, as filed with the Securities and Exchange Commission in Washington, D.C., and other corporate information, should be directed to Seagram Investor Relations as listed above.

Shareholder Inquiries

Shareholder inquiries should be addressed to: Shareholder Services, The Seagram Company Ltd., 1430 Peel Street, Montreal, Quebec H3A 1S9 or telephoned to (514) 987-5209.

Édition française du rapport annuel

On peut se procurer l'édition française de ce rapport en écrivant au: Services aux actionnaires, La Compagnie Seagram Ltée, 1430, rue Peel, Montréal (Québec) H3A 1S9.

Design:

Addison Corporate Annual Reports, NYC

Photographer: Scott Morgan

Arthurs-Jones Inc.

Mississauga, Ontario

© The Seagram Company Ltd. 1996

Printed on recycled paper



The Seagram Company Ltd.
1430 Peel Street
Montreal, Quebec
Canada H3A 1S9